BURSA MALAYSIA

CREATING OPPORTUNITIES, GROWING VALUE

Governance and Financial Reports 2018

CREATING OPPORTUNITIES, GROWING VALUE

The cover for our Governance and Financial Reports reflects Bursa Malaysia's brand identity, which was refreshed in 2018 to encapsulate our roles in operating, regulating, influencing and elevating the capital market while building sustainable value for our stakeholders. The stylised globe centrepiece is an abstract composition symbolising the pulse of diverse opportunities in the marketplace for those seeking to expand or invest impactfully.

The tagline, "Creating Opportunities, Growing Value", has been adopted for the entire Bursa Malaysia organisation and is a reflection of who we are and what we do. Bursa Malaysia is well-positioned to uncover the right opportunities for our stakeholders and therefore, help them achieve value and growth.

VISION:

To be ASEAN's leading, responsible and globally-connected marketplace

MISSION:

- We provide easy access to diversified, impactful products and services for global market participants
- We are a high-performance organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships
- We foster sustainable development in the marketplace by promoting responsible growth, while facilitating fundraising, value and wealth creation for all

OUR CORE VALUES

Building relationships	United to achieve	Responsibility	Simplicity	Agility

OUR CORE VALUES DEFINE WHO WE ARE AND OUR APPROACH TO EVERYTHING THAT WE DO

Building relationships	United to achieve	Responsibility	Simplicity	Agility
We work together with partners in the industry and community to deliver mutually beneficial outcomes	We work hand-in-hand as a team to become a High-Performance Organisation focused on achieving our goals	We are accountable, as an organisation and individuals, for the outcomes of our conduct and actions	We simplify processes and structures and encourage innovation to deliver timely and transformative results	We adapt to evolving market and operating conditions to achieve our targets

SECTION 01

CORPORATE STRUCTURE

BURSA MALAYSIA

100%

BURSA MALAYSIA SECURITIES BERHAD (635998-W)

Date of Incorporation : 4 December 2003
Principal Activities : Provides, operates and maintains a securities exchange

75%

BURSA MALAYSIA DERIVATIVES BERHAD (261937-H)

Date of Incorporation : 17 April 1993
Principal Activities : Provides, operates and maintains a derivatives exchange

100% Wholly-owned subsidiary of Bursa Malaysia Derivatives Berhad

BURSA MALAYSIA DERIVATIVES CLEARING BERHAD (358677-D)

Date of Incorporation : 9 September 1995
Principal Activities : Provides, operates and maintains a clearing house for the derivatives exchange

100%

LABUAN INTERNATIONAL FINANCIAL EXCHANGE INC (LL 02032)

Date of Incorporation : 30 July 1999
Principal Activities : Provides, operates and maintains an offshore financial exchange

100%

BURSA MALAYSIA SECURITIES CLEARING SDN BHD (109716-D)

Date of Incorporation : 12 November 1983
Principal Activities : Provides, operates and maintains a clearing house for the securities exchange

100%

BURSA MALAYSIA DEPOSITORY SDN BHD (165570-W)

Date of Incorporation : 26 October 1987
Principal Activities : Provides, operates and maintains a central depository for securities listed on the securities exchange

100% Wholly-owned subsidiary of Bursa Malaysia Depository Sdn Bhd

BURSA MALAYSIA DEPOSITORY NOMINEES SDN BHD (240297-W)

Date of Incorporation : 15 May 1992
Principal Activities : Acts as a nominee for Bursa Malaysia Depository and receives securities on deposit or for safe-custody or management

100%

BURSA MALAYSIA INFORMATION SDN BHD (152961-H)

Date of Incorporation : 2 May 1986
Principal Activities : Compiles, provides and disseminates prices and other information relating to securities quoted on the securities and derivatives exchanges within the Group as well as data reported from the bond platform

100%

BURSA MALAYSIA BONDS SDN BHD (319465-T)

Date of Incorporation : 11 October 1994
Principal Activities : Provides, operates and maintains an electronic trading platform for the bond market

100%

BURSA MALAYSIA ISLAMIC SERVICES SDN BHD (853675-M)

Date of Incorporation : 15 April 2009
Principal Activities : Provides, operates and maintains a Shariah-compliant commodity trading platform

Public Company Limited by Guarantee

YAYASAN BURSA MALAYSIA (464552-M)

Date of Incorporation : 24 June 1998
Principal Activities : Provides funds or support to Malaysian individuals and organisations by way of scholarships, grants, donations and other forms of financial assistance for educational, research and charitable purposes

OTHER CORPORATE INFORMATION

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
DATUK KAROWNAKARAN @
KARUNAKARAN RAMASAMY
Tel : 03-2297 2101
E-mail : karu.kr@gmail.com

COMPANY SECRETARIES
YONG HAZADURAH MD. HASHIM
LS0006674

HONG SOO YONG, SUZANNE
MAICSA 7026744

REGISTERED OFFICE
15th Floor, Exchange Square
Bukit Kewangan, 50200 Kuala Lumpur
Tel : 03-2034 7000
Fax : 03-2732 6437
E-mail : enquiries@bursamalaysia.com
Web : www.bursamalaysia.com

FORM OF LEGAL ENTITY
Incorporated on 14 December 1976 as a public company limited by guarantee. Converted to a public company limited by shares on 5 January 2004 pursuant to the Demutualisation (Kuala Lumpur Stock Exchange) Act 2003

STOCK EXCHANGE LISTING
Listed on Main Board of Bursa Malaysia Securities Berhad on 18 March 2005
Stock Code : 1818
Stock Name : BURSA

CUSTOMER SERVICE
Bursa Malaysia Berhad
3rd Floor, Exchange Square
Bukit Kewangan, 50200 Kuala Lumpur
Tel : 03-2026 5099
Fax : 03-2026 4122
E-mail : customerservice@bursamalaysia.com

INVESTOR RELATIONS
RASMONA ABDUL RAHMAN
13th Floor, Exchange Square
Bukit Kewangan, 50200 Kuala Lumpur
Tel : 03-2034 7175
Fax : 03-2026 3687
E-mail : ir@bursamalaysia.com

REGISTRAR
TRICOR INVESTOR & ISSUING
HOUSE SERVICES SDN. BHD. (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222
E-mail : is.enquiry@my.tricorglobal.com
Web : www.tricorglobal.com

TRICOR'S CUSTOMER SERVICE CENTRE
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

AUDITORS
ERNST & YOUNG (AF: 0039)
CHARTERED ACCOUNTANTS
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS
CIMB BANK BERHAD (13491-P)
5th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

MALAYAN BANKING BERHAD (3813-K)
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

CORPORATE GOVERNANCE OVERVIEW

The Board of Directors of Bursa Malaysia Berhad (Bursa Malaysia or the Company) presents this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices of the Company under the leadership of the Board during the financial year 2018. This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance (MCCG).

This statement is prepared in compliance with Bursa Malaysia Securities Main Market Listing Requirements (MMLR)[1] and it is to be read together with the CG Report 2018 of the Company (CG Report) which is available on the Company's website. The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2018.

The CG Report is available at http://www.bursamalaysia.com/corporate/about-us/corporate-governance/cg-report-2018

EMBRACING THE CG CULTURE

In building a sustainable business and discharging its regulatory role, the Board is mindful of its accountability to the shareholders and various stakeholders of Bursa Malaysia. Towards this, the Board is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards in the organisation. One of the ways in which the Board achieves this is by requiring adherence to good governance principles and practices throughout the Company.

As a testament to the Board's commitment, at the 2nd ASEAN CG Awards in November 2018, Bursa Malaysia was recognised by the ASEAN Capital Markets Forum as a winner in the following categories:

Top 3 PLCs in Malaysia	**Top 5 ASEAN PLCs**	**Top 50 ASEAN PLCs**

To ensure the Company continues to adopt the best CG practices, the Board conducts annual reviews of its practices with reference to the MCCG as well as the ASEAN CG Scorecard criteria. This review was conducted in July 2018 where the Board considered the Gap Analysis Report prepared by the CG and Secretarial Department, to determine the Company's level of adherence to the CG standards and identify the action plan to further raise the bar in the organisation's CG standards through various measures for implementation during the year. The action plan which includes reviewing the identified internal CG practices/processes and documents, setting certain milestones or deadlines in the CG activities and preparation of meaningful disclosures on the Company's practices, were amongst the Board's key focus areas in relation to CG for the year.

As at 31 December 2018, Bursa Malaysia complied in all material aspects with the principles as set out in the MCCG. The Company also adopted 35 out of the total 36 recommended practices in the MCCG including the four (4) Step-up practices. Only Practice 12.3 of the MCCG on leveraging technology to facilitate remote participation and voting at general meetings of the Company had not been adopted, although the necessary preparatory works for its implementation had commenced since the second quarter of 2018. A summary of the CG practices of Bursa Malaysia as well as the Board's key focus areas and its future priorities in relation to the CG practices are as described below, under each CG principle.

PRINCIPLE A :
BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is always mindful of its responsibilities to the Company's shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Company's businesses, in pursuing the commercial and regulatory objectives and goals of Bursa Malaysia.

For the foregoing, the Board determines the strategic objectives and policies of the Group for delivery of such long-term value, and it ensures effective leadership through oversight on management and robust monitoring of the activities, performance, conformance capabilities and control in the organisation. In setting the strategic direction, the Board also ensures that there is an appropriate balance between promoting long-term growth and delivering short-term objectives, having regard to the public interest responsibilities of Bursa Malaysia as an Exchange Holding Company (EHC)[2].

[1] Compliance with paragraphs 15.08A(3) and 15.25 as well as Practice Note 9 of MMLR on the preparation of Nomination Committee statement and disclosure of CG related information

[2] Bursa Malaysia is an EHC approved under Section 15 of the Capital Markets and Services Act 2007

CORPORATE GOVERNANCE OVERVIEW

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has in place a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees and the Chief Executive Officer (CEO), as depicted below.

BOARD OF DIRECTORS

GOVERNANCE COMMITTEES
- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee

REGULATORY COMMITTEES
- Regulatory and Conflicts Committee
- Appeals Committee ◇
- Market Participants Committee □
- Listing Committee ○

◇□○⬠△
Matches the corresponding committees to the relevant companies

CHIEF EXECUTIVE OFFICER

MANAGEMENT GOVERNANCE FRAMEWORK

Governance
- Corporate Sustainability Committee
- Management Risk and Audit Committee

Operations (Commercial & Regulatory)
- Management Committee
- Management Regulatory Committee

- **100% Subsidiaries**

  Bursa Malaysia Securities Berhad (BMS) ◇□○

  Bursa Malaysia Securities Clearing Sdn Bhd (BMSC) □◇

- **75% Subsidiaries (25% CME)**
  Bursa Malaysia Derivatives Berhad (BMD) □◇
  - **100% Subsidiary**
    Bursa Malaysia Derivatives Clearing Berhad (BMDC) □◇

- Public Company Limited by Guarantee
  Yayasan Bursa Malaysia

- **100% Subsidiaries**

  Bursa Malaysia Depository Sdn Bhd □◇
  - Bursa Malaysia Depository Nominees Sdn Bhd

  Bursa Malaysia Information Sdn Bhd

  Bursa Malaysia Bonds Sdn Bhd □◇

  Bursa Malaysia Islamic Services Sdn Bhd ⬠
  - Shariah Committee ⬠
  - Disciplinary Committee ⬠
  - Appeals Committee ⬠

  Labuan International Financial Exchange Inc (LFX) △
  - LFX Exchange Committee △
    - Listing Committee △
    - Disciplinary Committee △
    - Licensing Committee △


BMS/BMSC BOARD OF DIRECTORS


BMD/BMDC BOARD OF DIRECTORS


APPEALS COMMITTEE


MARKET PARTICIPANTS COMMITTEE


LISTING COMMITTEE

CORPORATE GOVERNANCE OVERVIEW

The members of the Governance and Regulatory Committees as well as the Functional Boards have discharged their roles and responsibilities in 2018, through their attendance at the meetings of the Group as set out in the table below:

	Board of Directors	NED∞	Governance Committees			Regulatory Committees				Subsidiaries of Bursa Malaysia			
Name			AC**	RMC	NRC	RACC	LC	MPC	APC	BMS	BMSC	BMD	BMDC
Public Interest and Independent Non-Executive Directors													
Tan Sri Amirsham A Aziz (Chairman)	7/7	5/5				6/6			5/5				
Johari Abdul Muid	7/7	5/5			11/11	6/6		6/6		5/5	4/4		
Datin Mariam Prudence Yusof	7/7	5/5	6/6	5/5		6/6						4/4	4/4
Independent Non-Executive Directors													
Datuk Karownakaran @ Karunakaran a/l Ramasamy	7/7	5/5			11/11	5/6			5/5				
Datuk Chay Wai Leong	7/7	4/5	6/6	5/5								4/4	4/4
Ghazali Haji Darman	7/7	5/5	6/6	5/5				6/6					
Pushpanathan a/l S.A. Kanagarayar	6/7	4/5	6/6		10/11		9/9						
Datin Grace Yeoh Cheng Geok	7/7	5/5		5/5	11/11					5/5	4/4		
Chong Chye Neo [1]	0	0											
Non-Independent Executive Director													
Datuk Seri Tajuddin Atan (CEO)	7/7									5/5	4/4	4/4	4/4
Non-Executive Directors of Subsidiaries													
Mazidah Abdul Malik										5/5	4/4		
Kuok Wee Kiat										5/5	4/4		
William Francis Herder												4/4	4/4
Christopher Lee Fix												4/4	4/4
Independent individuals with significant and relevant industry experience													
Dato' Mohammed Adnan Datuk Shuaib									3/3■				
Datuk Syed Zaid Syed Jaffar Albar									3/5□				
Cheah Tek Kuang									5/5				
Kuok Wee Kiat									5/5				
Ooi Giap Ch'ng									5/5				
Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani									2/5				
Dato' Azmi Mohd Ali [2]									1/1				
Yon See Ting							9/9						
Salwah Abdul Shukor							7/9						
Dato' Sri Abdul Hamidy Abdul Hafiz							4/4●						
Prof. Dr. Aiman @ Nariman Mohd Sulaiman							7/9						
Dato' Feizal Mustapha							7/9						
Lee Kha Loon							8/9						
Darryl Goon Siew Chye							2/2○						
Hijah Arifakh Othman							6/9						
Jalalullail Othman [3]							5/5						
Iskandar Abdullah @ Sim Kia Miang [4]							3/3						
Khoo Guan Huat								6/6					
Dato' Abdul Shukor Ahmad								5/6					
Azura Azman								3/3♦					
Dato' Dr. Zaha Rina Zahari								2/6					
Dato' Wan Asmadi Wan Ahmad								6/6					
Dr. Chung Tin Fah								6/6					
Rashid Ismail								3/3◈					
Raymond Tang Chee Kin								6/6					
Tai Siew Moi [5]								3/3					
Chew Sing Guan [6]								3/3					
Total number of meetings for 2018	7	5	6	5	11	6	9	6	5	5	4	4	4

- ■ Chairman
- □ Member
- □ Non-member

AC	Audit Committee
RMC	Risk Management Committee
NRC	Nomination and Remuneration Committee
RACC	Regulatory and Conflicts Committee
LC	Listing Committee
MPC	Market Participants Committee
APC	Appeals Committee
BMS	Bursa Malaysia Securities Berhad
BMSC	Bursa Malaysia Securities Clearing Sdn Bhd
BMD	Bursa Malaysia Derivatives Berhad
BMDC	Bursa Malaysia Derivatives Clearing Berhad

Notes:
1. Appointed as Independent Non-Executive Director with effect from (w.e.f.) 21 December 2018. There was no meeting between 21 December 2018 and 31 December 2018
2. Appointed as APC member w.e.f. 1 August 2018
3. Appointed as LC member w.e.f. 1 July 2018
4. Appointed as LC member w.e.f. 1 October 2018
5. Appointed as MPC member w.e.f. 1 July 2018
6. Appointed as MPC member w.e.f. 1 July 2018

∞ Five Non-Executive Directors (NED) sessions were held in 2018 i.e. on 20 March 2018, 25 April 2018, 30 July 2018, 29 October 2018 and 27 November 2018
** Two private meetings were held between the AC and the external auditors, Ernst & Young i.e. on 29 January 2018 and 24 October 2018 respectively
■ Retired as APC member on 30 June 2018 after serving for 8 years
□ Resigned as APC member on 5 October 2018 after serving for 5 years and 4 months, as he was appointed as Chairman of Securities Commission Malaysia
● Retired as LC member on 30 June 2018 after serving for 8 years
○ Resigned as LC member on 13 March 2018 after serving for 1 year and 8 months, as he was appointed as Judicial Commissioner of the High Court of Malaya
♦ Retired as MPC member on 30 June 2018 after serving for 6 years
◈ Retired as MPC member on 30 June 2018 after serving for 3 years

CORPORATE GOVERNANCE OVERVIEW

The Governance Model is supported by the Corporate Authority Manual (CAM), which clearly delineates relevant matters and applicable limits, including those reserved for the Board's approval, and those which the Board may delegate to the Board Committees, the CEO and Management. Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain pre-determined limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group. The Governance Model and the CAM are reviewed as and when required, to ensure an optimum structure for efficient and effective decision-making in the organisation. In November 2018, the Board approved the amendments to the Terms of Reference of the Board and the Board Governance Committees under the Governance Model for compliance with the amended Main Market Listing Requirements and for consistency with the new Constitution of Bursa Malaysia which was approved at the 41st Annual General Meeting (AGM) of the Company held in March 2018.

In fostering a strong CG culture in the organisation, the Board has always strived for the highest standard of CG practice in the Company and adopting the same as a "way of life" in every aspect of the organisation. The Chairman leads the Board by setting the tone at the top, and managing the Board effectiveness by focusing on strategy, governance and compliance. In 2018, the Chairman continued the practice of conducting a separate session for the Non-Executive Directors (NEDs) before convening each of the Board meetings without the presence of Management. The positions of the Chairman and CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of Bursa Malaysia (Board Charter). The Board Charter is a comprehensive reference document for Directors on matters relating to the Board and its processes, for example; it provides that the Directors shall be furnished with the meeting papers at least five (5) business days prior to the meetings. The Board Charter also sets out the roles and responsibilities of the Board, the individual Directors as well as the Senior Independent Director.

In November 2018, the Board reviewed and approved the amendments to the Board Charter for consistency with the new Constitution of Bursa Malaysia. The Board also reviewed and approved the Anti-Fraud, Bribery & Corruption Policy for Bursa Malaysia with the objective to manage risk in relation to fraud, bribery and corruption. This is to ensure that good standards of behaviour permeate throughout all levels of the Group, and would help to prevent misconduct and unethical practices and consequently, will support the delivery of long-term sustainable success of the Company. Additionally, Bursa Malaysia also has in place the Code of Conduct and Ethics as well as the Whistleblower Policy and Procedures for its Directors and Employees which are implemented to enable the exposure of any violations or improper conduct or wrongdoing within the Company. The aforesaid Board Charter, Code of Conduct and Ethics and Whistleblower Policy and Procedures can be found at Bursa Malaysia's website:

http://www.bursamalaysia.com/corporate/about-us/corporate-governance/

The Board members have full access to the two (2) Company Secretaries, both of whom have legal qualifications and are qualified to act as company secretaries under the Companies Act 2016 (CA), who provide advisory services to the Board, particularly on governance and Board processes, CG issues including compliance to the relevant laws, rules and regulations.

II. Board Composition

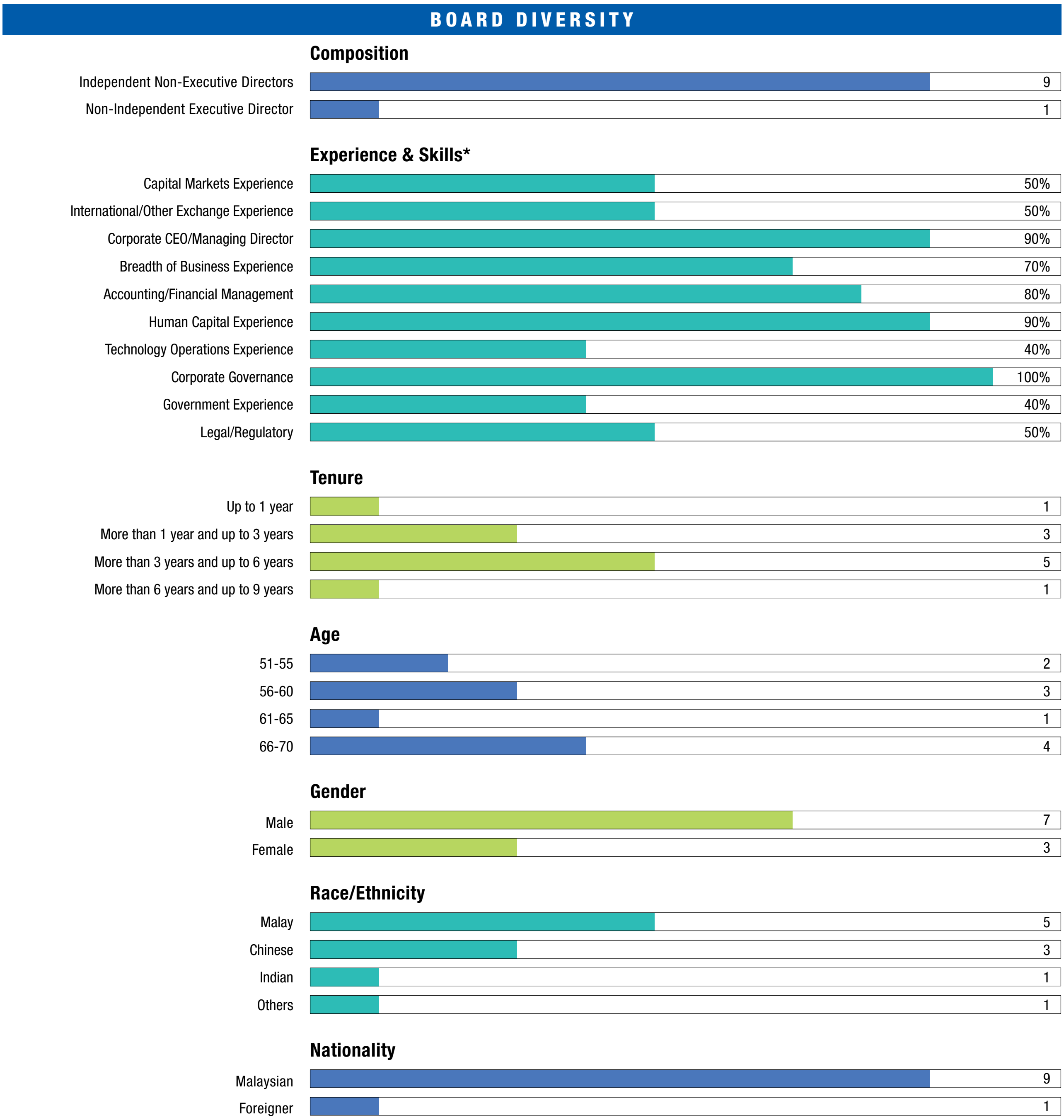
As at 31 December 2018, the Board comprised nine (9) Independent NEDs and one (1) Executive Director who was also the CEO of the Company. Of the 10 Directors on the Board, three (3) were women.

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethinicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage the differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethinicity and gender, which will ensure that Bursa Malaysia retains its competitive advantage.

The Board through its Nomination and Remuneration Committee (NRC) conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. In this respect, the Board has in place a 9-year policy for its NEDs, to enable the Board's continuous refreshment, to maintain its effectiveness. The Board also has in place a Diversity Policy, which sets out the Board's policy of having at least 30% women directors on the Board. The above policies are currently set out in the Board Charter.

CORPORATE GOVERNANCE OVERVIEW

As at 31 December 2018, the Board Diversity for Bursa Malaysia is as set out in the table below:



* *This Board Skills Matrix is based on the Board composition as at 31 December 2018. Individual Directors may fall into one or more categories.*

CORPORATE GOVERNANCE OVERVIEW

Based on the review of the Board composition in 2018, the Board agreed to maintain the optimum Board size at 12 as this size would enable effective oversight and delegation of responsibilities by the Board, taking into account the dual objectives of Bursa Malaysia. The Board had also agreed on the selection criteria for the proposed new Directors on the Board taking into consideration the appropriate mix of skills, experience and strength in qualities which would be relevant for the Board, to ensure it is equipped to meet the shifting competitive landscape and technological changes faced by the Group, and with reference to the Company's objectives and strategic goals. During the year, the NRC had actively carried out the Board recruitment exercise, and was mindful of the need to achieve diversity in the aspects of ethnicity, age and gender in shortlisting the potential candidates which were obtained from internal as well as external independent sources. Further to this, Ms Chong Chye Neo was appointed as an Independent NED of Bursa Malaysia on 21 December 2018 upon obtaining the concurrence of the Securities Commission Malaysia (SC) in accordance with Section 10(1)(b) of the Capital Markets and Services Act 2007 (CMSA). With this appointment, the Board size had increased from nine (9) to 10 members and there is a 30% women representation on the Board. As the Board size still falls short of the agreed optimum number, this pursuit will continue to be a priority of the Board and NRC's CG agenda in 2019.

In 2018, the Board also placed focus on the CEO succession and transition plan given that the former CEO and Executive Director, Datuk Seri Tajuddin bin Atan was due to retire in the 1st quarter of 2019. In this respect, the NRC had developed a structured plan to ensure an effective and smooth handover of the function to the new CEO. The steps undertaken by the NRC in implementing the plan include the review of the successor criteria, sourcing of potential candidates from internal and external sources, reviewing and shortlisting of potential candidates, evaluation of shortlisted candidates, engagement with relevant authorities and determination of the remuneration package of the successor CEO. Amongst the factors considered by the Board and NRC in assessing the potential candidates were their qualifications, age, relevant experience, leadership track and industry exposure. After due process, the Board approved the recommendation of the NRC for the appointment of Datuk Muhamad Umar Swift as the new CEO and Executive Director of the Company effective 11 February 2019. The SC's concurrence on this appointment was also obtained in accordance with Sections 10(1)(b) and (10)(5) of the CMSA, and the announcement on the same was issued by the Company on 19 December 2018.

The induction programme for the new NED, Ms Chong Chye Neo was conducted on 10 and 22 January 2019. The induction programme for the new CEO and Executive Director, Datuk Muhamad Umar Swift was conducted on 8, 10 and 22 January 2019.

CORPORATE GOVERNANCE OVERVIEW

The Board through the NRC, conducts the annual assessment on effectiveness of the Board, the Board Committees, the individual Directors and Board Committee members of the Company. An external consultant is engaged once in every three (3) years to facilitate the NRC in providing an objective and candid evaluation. In 2018, the NRC had conducted the Board Effectiveness Evaluation (BEE) exercise internally and facilitated by the Company Secretaries for the period from 1 July 2017 to 30 June 2018 (2017/2018). The BEE 2017/2018 was conducted by way of questionnaires which was issued to the Board and Committee members as well as the 360° questionnaires issued to the Senior Management. The results of the BEE 2017/2018 indicated that the performance of the Board, the Board Committees, the individual Directors and Board Committee members during the review period had been satisfactory and therefore, they had been effective in the overall discharge of their functions, roles and duties. Also, there was no apparent weaknesses or shortcomings identified that warrant specific action plans to address the same. Nevertheless, based on the findings in the BEE 2017/2018, the Board recognised that continued focus and priorities need to be given to the following areas during 2019:

- Innovation, product developments and Market Operations;
- Management Succession Plan;
- Board Composition and Recruitment; and
- Directors' development/training programmes.

The details on the activities of the NRC are described in the CG Report 2018. It embraces Principle A of the MCCG in relation to the Board composition.

III. Remuneration

The Board has established a formal and transparent remuneration policies and procedures for the Board and Board Committees. In this respect, the NRC is responsible to formulate and review the remuneration policies for the Board and Board Committees (Board Remuneration Policy) as well as the Senior Management of the Company to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices. The NRC reviews the Board Remuneration Policy on an annual basis, and an external consultant is engaged for this exercise once every three (3) years, to provide the NRC with an objective and independent perspective. The current Board Remuneration Policy was approved by the shareholders at the 41st AGM of the Company held in March 2018.

In November 2018, the NRC had conducted a review of the Board Remuneration Policy with the view to determine its competitiveness and sufficiency to attract, retain and motivate individuals to serve on the Board of Bursa Malaysia. In this respect, the Board approved the recommendation by the NRC to maintain the existing Board Remuneration Policy which will be put forth to the shareholders for approval at the 42nd AGM, in accordance with Sections 230 and 340(1)(c) of the CA and Paragraph 7.24 of the MMLR.

PRINCIPLE B:
EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company (AC) comprises four (4) Independent NEDs, one of whom is also a Public Interest Director (PID). The AC is chaired by an Independent NED, Mr. Pushpanathan a/l S.A. Kanagarayar. It is required under the Terms of Reference of AC for a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR as well as the Auditor Independence Policy which was approved by the Board in April 2016.

Annually, the composition of the AC is reviewed by the NRC and recommended to the Board for its approval. With the view to maintain an independent and effective AC, the NRC ensures that only an Independent NED who is financially literate, possess the appropriate level of expertise and experience, and has the strong understanding of the Company's business would be considered for membership on the AC.

II. Risk Management and Internal Control Framework

The Risk Management Committee of the Company (RMC) comprises four (4) Independent NEDs, one of whom is also a PID. The RMC is responsible to oversee the Company's risk management framework and policies.

The AC is responsible to assist the Board in ensuring the adequacy and effectiveness of internal controls. The Board is of the view that the system of internal control and risk management in place during 2018, is sound and sufficient to safeguard the Group's assets, as well as shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

In this respect, the details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management on pages 17 to 24.

CORPORATE GOVERNANCE OVERVIEW

PRINCIPLE C:

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

I. Communication with Stakeholders

Bursa Malaysia ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. Bursa also actively engages all its stakeholders through various platforms including the announcements via BursaLINK, disclosures on Bursa's website and engagement through the investor relations function. In 2018, a number of events were held during the year to maintain an open communication with the issuers, investors, shareholders, intermediaries, regulators, employees and other communities. The details of such events are available in Our Stakeholders on page 38 of the Integrated Annual Report 2018.

In 2016, the Company kicked off its journey to adopt integrated reporting for its annual report. It has been the target of Bursa Malaysia to fully adopt the integrated reporting based on a globally recognized framework, for the 2018 reports.

II. Conduct of General Meetings

At the 41st AGM of the Company held on 28 March 2018, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 41st AGM in an orderly manner and allowed the shareholders or proxies the opportunity to speak at the meeting. The CEO presented to the meeting the financials of the Company and the Chairman of the NRC also presented the proposal on the Board Remuneration. The members of Senior Management of the Company were also present to respond to any enquiries from the shareholders.

In line with good CG practice, the notice of the 41st AGM was issued 28 days before the AGM date. The voting at the 41st AGM was conducted through an electronic voting (e-voting) system. With the new Constitution, the Company will leverage on technology to enhance the quality of engagement with the shareholders and allow remote shareholders' participation and voting at its forthcoming 42nd AGM to be held in March 2019.

COMPLIANCE STATEMENT

This Statement was approved by the Board on 30 January 2019.

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Bursa Malaysia continues to grow from strength to strength in building a well-regulated market that safeguards the interests of our investors. Our market regulatory framework has progressed from a prescriptive to a more principle-based and facilitative approach, which is in line with best international practices.

Our approach also cultivates greater self-regulation on the part of our listed companies and intermediaries, and have liberalised rules in areas where standards of conduct have improved. We remain vigilant in ensuring that our markets remain fair and orderly, and continue to strengthen relationships with stakeholders in transforming Bursa Malaysia into a developed market.

DEVELOPMENT OF THE RULE FRAMEWORK

We continued to maintain an open, transparent and consultative approach in undertaking major rule changes. This is to ensure that we arrive at a proportionate rule framework, with no more rules than necessary. In 2018, we continued to review and reform our rules to ensure that they remained effective, up-to-date and benchmarked with international standards. In this regard, we have enhanced our rule framework through various rule amendments, such as:

- Amendments to the Main Market Listing Requirements in relation to collective investment schemes and business trusts aimed at improving market efficiency and efficacy as well as enhancing attractiveness and competitiveness of these issuers. Arising from this, Bursa Securities is now the single approving authority for all new issue of securities (other than debt securities) by collective investment schemes and business trusts;
- Amendments to the Main Market Listing Requirements and the Business Rules to enhance the post listing and trading framework of exchange-traded funds (ETFs), by providing an efficient and effective ecosystem for ETFs as well as a diversified product range for our investors;
- Amendments to revise the contract specifications of the Ringgit Malaysia Denominated Crude Palm Oil Futures Contract and its related contracts in order to maintain the contracts' relevancy and competitiveness. The revisions include the extension of trading hours, and an increase in contract months and position limits;
- Amendments to revise the physical delivery procedure for the US Dollar denominated Refined Bleached Deodorized Palm Olein Futures (FPOL) Contract from ex-tank delivery to a free on board (FOB) delivery. The revision of the delivery procedure aligns the physical delivery procedure for the FPOL Contract with that of the physical palm olein market, which is based on a FOB delivery.
- Amendments to facilitate alternative delivery procedures under the derivatives clearing framework, which allows parties to choose and mutually agree on a method of making or receiving delivery of the FPOL Contract which differs from the method specified by the derivatives exchange in the contract.
- Amendments to the Business Rules to allow participants further flexibilities, promote ease of doing business and reduce administrative burden and costs; including amendments to allow full mobility for Dealer's Representatives and for Participating Organisations to open branch offices without the need to apply for approval;
- Amendments to allow all investors who comply with the Intraday Short Selling (IDSS) provisions to carry out IDSS. The extension of IDSS to a wider group of investors is intended to improve the liquidity and velocity of our market; and
- Amendments to introduce the Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70) Contract, to complement the existing FTSE Bursa Malaysia KLCI Futures Contract and to attract retail investors and local participants to trade derivatives products, by providing them with a product option which would allow for a cheaper entry into the derivatives market space.

In addition to the rules, we had also issued various guides and communication notes for listed companies and intermediaries respectively, aimed at enhancing the conduct of listed companies and intermediaries towards better quality of disclosure, governance and self-regulation.

EFFICIENT CAPITAL RAISING FRAMEWORK

We adopt a balanced and facilitative approach to maintain an efficient capital raising platform for the secondary market without compromising on the integrity of the market. In this regard, we have undertaken the following initiatives:

1. Completion of the centralisation of secondary fund raising for collective investment scheme at Bursa Malaysia. Following this, Bursa Malaysia became the single regulatory body to assess, review and approve all types of secondary fundraising (other than debt securities);
2. The LEAP Market which was established in 2017 to provide SMEs with fund raising access and visibility through the capital market has gained traction where there is growing interest for listing in 2018. As at 31 December 2018, thirteen (13) companies have been admitted for listing on the LEAP Market; and
3. Expansion of the Green Lane Policy in dealing with circulars and applications by FTSE Bursa Malaysia Top 100 Index Companies.

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SURVEILLANCE OF THE MARKET

In 2018, we continued to monitor trading activities in both securities and derivatives markets to detect unusual price and volume movements and other forms of suspicious trading activities. The tasks and functions performed were broadly categorised into the following areas:

A. Surveillance Operations

Details	2015	2016	2017	2018
Brokers/Intermediaries:				
• Verbal Alert	-	-	9	13
• Fact Sharing	193	156	47	32
• Surveillance Notices (SNs)	3	6	2	-
• Surveillance Reports (SRs)	7	23	6	3
Listed Companies/Public:				
• UMA Queries	81	66	29	13
• Market Alerts	2	4	-	-
• Designation of securities	-	-	-	-

We adopts a proactive and balanced approach in detecting and addressing surveillance concerns. In general there was a sharp decline in the number of surveillance actions taken in 2018 compared to 2017 due to enhanced front-office surveillance monitoring and supervisory role by brokers. The measures taken to ensure orderly trading are as follows:-

1. **Verbal Alert**
   - We began implementing "verbal alert" in March 2017 to inform brokers via telephone communication of any red flags which could potentially lead to manipulative trading.
   - The main purpose of this graduated approach is to share possible trading concerns at an early stage with red flag of possible manipulative trading, to allow the brokers to have an early warning and opportunity to start monitoring/addressing any potential manipulative trading at their end.
   - In 2018, there were 13 verbal alerts conducted (there were 9 verbal alerts conducted in 2017).

2. **Fact Sharing**
   - This is an approach used to share trading concerns and possible manipulative activities with brokers. After the Fact Sharing, the brokers concerned are expected to review, make due enquiries and take appropriate actions to address and resolve the trading concerns relating to their dealers and report the same to Bursa Malaysia. If a broker fails to respond and the trading concerns persist, we would escalate the action via SN and/or referral for investigation.
   - In 2018, we carried out 32 Fact Sharing (securities market: 27, derivatives market: 5) with the brokers. In these Fact Sharing, we highlighted and shared trading concerns observed at our end so that brokers were aware of the trading activities of their Dealer Representatives (DRs) and/or their Futures Broker's Representatives (FBRs).
   - The brokers were then expected to initiate the necessary control measures to ensure such concerns/irregularities were addressed with no recurrence of the same. Trading concerns from securities trading were mainly on price manipulation and false trading, whereas for the derivatives market, the concerns were on unusual price movement and breach of position limit.
   - The Fact Sharing were effective in raising the level of the compliance awareness and self-regulatory responsibilities among the brokers. In addition, the continuous education programme rolled out to the industry i.e. ICON-ST and Train The Trainers Workshop, appeared effective in facilitating the maintenance of an orderly and fair market as we noted a sharp decline of fact sharing in 2017 compared to 2016.

3. **Surveillance Notices (SNs) (previously known as Surveillance Queries)**
   - SNs are issued to brokers when the irregular/abusive trading activities have escalated into significant trading concerns and require immediate action to be taken by the Broker to cease the trading concerns highlighted in the Surveillance Notice. In 2018, there were no SN issued as compared to 2 in 2017.

4. **Surveillance Reports (SRs)**
   - SRs are prepared in respect of detection of possible breaches of the relevant Bursa Malaysia's Operating Rules and/or violations of the Securities Laws. The reports that involve manipulative activities are forwarded for investigation, whereas those in relation to insider trading and short selling are referred to the Commission.
   - In 2018, a total of 3 SRs (securities market: 3, derivatives market: 0) were issued, a decline compared to 6 SRs in 2017. 2 cases were referred to the Commission for further investigation on possible violations of the Securities Laws on possible insider trading (arising from being awarded with future contracts).

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5. **Unusual Market Activities (UMA)**
   - An UMA query is issued to seek explanation/disclosure from a listed company on unusual price and/or volume movements in the trading of its securities. UMA query is a disclosure took used by Bursa Malaysia to prompt a listed company to disclose any material information that has yet to be announced/which was withheld in accordance with paragraph 9.05 of the LR as well as alert and apprise investors and market with the latest material information/updates vis-à-vis the listed company towards facilitating informed investment decisions. The response from the listed company would be assessed and monitored to determine compliance with the LR such as timely and accurate disclosure of material information.
   - In 2018, Bursa Malaysia issued 13 UMA queries compared to 29 in 2017.

6. **Issuance of Market Alerts**
   - 'Market Alerts' are issued to alert the investing public about the excessive nature of trading in a counter and to advise them to exercise caution and to make informed decisions in the trading of the securities. Similar to 2017, there were no Market Alerts issued in 2018.

7. **Designation of Securities**
   - Designation of securities might be imposed if all earlier mentioned measures fail to address excessive speculation and/or suspected manipulation and the specified criteria for issuance of designation is fulfilled. Similar to 2017, there were no securities subjected to designation in 2018.

8. **Proprietary Day Traders (PDT) and Investment Account Traders (IVT)**
   - We monitor PDT/IVT trading based on customised trade concentration and trade activity reports generated from the MSS. The customised report flagged out active PDT/IVT traders in the market on a daily basis and provided an overview of all the PDT/IVT trades on a daily basis. This approach has been effective in reducing excessive speculation and maintaining a fair and orderly trading in the securities market.

B. Developments in Market Surveillance

1. **New Market Surveillance System (NMSS)**
   - Market Surveillance System plays a key role in the detection of market offences through built-in alert mechanisms which allows us to expand our detection ability, conduct detailed analysis and report trading concerns in a timely manner.
   - A new system, NMSS was selected and successfully launched on 24 Dec 2018 to facilitate multiple functions i.e. surveillance, market operations monitoring & control and analytical tools for in-depth investigation purposes and hence, enhance our effectiveness towards detecting and curbing irregular/manipulative trading activities.

2. **Other Initiatives**
   In 2018, we undertook various initiatives to enhance the knowledge and skillset of the industry in the areas of front-office supervision and trade monitoring summarised as follows:
   - **Market Inter-Surveillance Group (MISG) Meeting**
     Held on 17 October 2018, the engagement session with brokers was organised to share updates on market surveillance and provide opportunity for participants to raise relevant issues or concerns. This event was part of our initiatives to build and maintain effective communication channels with brokers. The session was supported by MIBA and ASCM, attended by 51 representatives from 27 brokers.
   - **Intermediaries Communication Notes on Supervision and Monitoring Electronic Trading (ICON-ET)**
     The ICON-ET was issued on 30 August 2018 to provide guidance to the brokers on supervision of electronic trading and recommended best practices which are supplemented by various illustrations aimed to facilitate and enhance effective supervision and monitoring of trades and market conduct. This initiative signifies the positive move towards greater industry collaboration to enhance self-regulation by the brokers.

SURVEILLANCE OF LISTED COMPANIES

Corporate surveillance activities aim at ensuring corporate irregularities, misconducts or transgressions are detected and if possible pre-empted.

Our comprehensive corporate surveillance framework facilitates the timely detection of irregularities to enable swift regulatory actions, including timely detection, detailed analysis into the issues and circumstances which may give rise to breaches of the LR and allows necessary pre-emptive actions where appropriate. Timely detection of such irregularities facilitates effective regulatory action, thus upholding investor protection and market integrity.

When we detected breaches of the LR, we would refer the same to our Investigation towards establishing the breach for enforcement and where there is possible offence(s) under the law, to relevant regulatory authorities. Apart from that, arising from our regulatory/pre-emptive actions, listed companies amongst others terminated certain transactions as well as appointed Special or Investigative Auditor,

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professional valuers and/or independent advisers to look into the areas of concern. In 2018 arising from our corporate surveillance actions, 4 listed companies have appointed special auditors/legal advisors to look into the issues raised by us and 4 listed companies aborted questionable transactions/proposals. To facilitate continuous improvement amongst the listed companies, we engage them through direct engagements and provide trainings in key areas of concern identified through our surveillance activities.

QUALITY AND TIMELY DISCLOSURES

Timely, complete and accurate disclosure of information is of paramount importance for the shareholders and investors to make informed investment decision and this is in line with Bursa Malaysia's objective in maintaining a fair and orderly market. To reaffirm our commitment in enhancing the market quality and transparency to the market, we have undertaken the following initiatives to provide greater guidance and clarity to the market:-

1. Pre-emptive supervision for complex proposals to ensure the disclosure of information in the circular to shareholders is complete and comprehensive for investment decision, thus facilitating more expeditious review and clearance by Bursa Malaysia.
2. Outreach education programmes to company secretaries which aims to provide greater guidance on the understanding and application of the LR.
3. Issuance of communication notes on corporate website for listed companies.

In addition, we incentivise listed companies with good disclosure practices through our green lane policy/framework.

We also continued to leverage on the Listing Advisory Desk and our online enquiry portal to respond to enquiries from our listed companies and their advisors on LR interpretation.

CORPORATE GOVERNANCE (CG) STANDARDS

Similar to previous years, Bursa Malaysia continued to devote significant attention to improving the corporate governance culture (including practices & disclosures) among our listed companies in 2018. This is in line with our aim of attaining overall CG standards that are on par with developed markets and for our Top 100 listed companies to emerge as regional CG champions in ASEAN. Throughout the year, we proactively engaged with our listed companies mainly through provision of advocacy programmes in CG-related areas such as board diversity, non-financial disclosures, effective internal audit, CFO competency, etc.

Since the issuance of the Malaysian Code on Corporate Governance (MCCG) and also our revamped Corporate Governance Guide (CG Guide) in 2017, we have based our engagement and advocacy efforts in 2018 on elevating listed companies' CG practices and disclosures in relation to the spirit, principles and practices that are embodied within the MCCG and CG Guide.

Efforts at driving CG reforms particularly in terms of enhancing the CG practices of our listed companies appears to have further paid off as 14 Malaysian listed companies were recognised as being among the Top 50 ASEAN PLCs at the 2nd ASEAN CG Awards 2018, a regional initiative by the ASEAN Capital Markets Forum. The number of Malaysian listed companies in the Top 50 category is the highest number from a country in comparison with the other ASEAN countries This further showed greater improvement of CG culture amongst our listed companies.

MEASURES TO PROMOTE SUSTAINABILITY

In line with Bursa Malaysia's goal of becoming the leading exchange for sustainability practices in ASEAN, all of our listed companies are required to publish an annual sustainability statement from FYE 31 December 2018 onwards. Considering the fact that many of our listed companies have just begun their sustainability journey, Bursa Malaysia has devoted significant resources towards capacity building and provision of detailed guidance in the past few years. In this regard, towards the end of 2018, we issued an updated version of its Sustainability Reporting Guide & Toolkits. The updates and revisions include refined tools such as the materiality matrix for assessment of material sustainability matters, as well as the latest best practices and focus areas in sustainability (e.g. the Sustainable Development Goals (SDGs) and also recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)). In addition, a number of sustainability-related advocacy sessions were held throughout 2018 to aid listed companies in terms of enhancing their skills, knowledge and practices in this space. More specifically, we organised sessions on incorporating SDGs into business strategy, climate change, the value proposition of sustainability, and how to prepare a sustainability statement. Our engagement efforts in 2018 were targeted more towards listed companies with market capitalisation of below RM1 billion, and ACE Market listed companies. We devoted more attention to this group of listed companies in 2018 as they were required to publish a sustainability statement on and after 31 December 2018 whilst listed companies with market capitalisation of RM1 billion and more (RM1B & more listed companies) had been engaged by us in previous years as they were required to publish their sustainability statements earlier (i.e. in 2017 and 2018).

In addition, for the RM1B & more listed companies, we undertook a review of the sustainability disclosures of these listed companies on a sampling basis in 2018. This review was based on the statements that they have published for 2016 (for listed issuers with market capitalisation of RM2 billion and above) and 2017 (for listed issuers with market capitalisation of between RM1 billion to RM2 billion) financial years. The findings would then be shared with these companies in order to facilitate further improvements especially in terms of quality of disclosures apart from adherence to our Sustainability Reporting Guidelines. In addition, the trends that we observe from the said review exercise would also formed part of the basis for determining future advocacy/outreach programmes.

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STANDARDS OF BUSINESS CONDUCT OF BROKERS

Our supervision activities continued to be focused on ensuring that our brokers maintain high standards of business conduct through compliance with the business rules and other regulatory requirements. Through the conduct of on-site and off-site monitoring, our brokers were found to have adopted safeguards and controls to mitigate against incidences which pose systemic risk to the market. In addition, our monitoring also did not reveal any industry-wide breaches or findings which affected the fair and orderliness of the market. In ensuring that our supervision practices and approaches remain relevant and dynamic to address emerging risks, we had rolled out several initiatives in 2018. These initiatives included:-

- issuance of the following industry communication to brokers:
  - on supervising and monitoring electronic trading (i.e. ICON-ET). Details are outlined above under page 14; and
  - on managing risks of cyber threat and enhancing cyber resiliency of the brokers.
- review of business rules and directives to allow for further flexibilities and facilitate the ease of doing business for brokers.
- introduction of stress testing framework into Liquidity Risk Management so that brokers are able to withstand financial and liquidity shocks
- introduction of web-based electronic submission. of regulatory periodic reports by brokers to reduce the turnaround time from receipt of reports to subsequent transmission of consolidated reports to the Securities Commission.

ENFORCEMENT ACTIVITIES

As part of our vigilant monitoring of compliance with our rules, we take actions for breaches of our rules. Depending on the materiality of the breach, enforcement actions or management actions such as warning, caution or reminder for less serious breaches may be taken. We will take enforcement actions when material breaches are detected and established after thorough investigations and enforcement proceedings.

These proceedings include giving opportunity to the defaulting parties to explain their actions prior to determination of breach and appropriate sanctions by our independent regulatory committees which comprise the Listing Committee and Market Participants Committee. In addition, the defaulting parties are accorded a right of appeal which will be escalated to another independent regulatory committee, namely the Appeals Committee. These independent regulatory committees are tasked to deliberate and decide on material breaches of the LR and Business Rules respectively.

In 2018, enforcement actions were taken against 15 listed companies, 22 directors (of 5 listed companies) and 1 other person for various breaches of the LR. As part of enforcement, we also issued directives against defaulting parties including where relevant, directives for directors to undergo mandatory training as well as for listed companies to conduct limited reviews on quarterly reports. Bursa Malaysia Securities also took 138 management actions mainly relating to requirements on dealings by directors and principal officers, sustainability disclosures in annual reports etc.

As for breaches of the BR, in 2018, actions (which included management actions) were also taken against 11 intermediaries (i.e. POs, TPs, and Clearing Participants (CPs)) and 14 DRs/Registered Persons for various breaches. In particular, for market offences breaches, enforcement actions were taken against 3 DRs/Registered Persons. In an effort to improve the conduct of errant DRs/Registered Persons, mandatory training requirements were imposed when the misconduct showed ignorance or lack of understanding of the rules and requirements, similar to the approach under the LR.

Arising from our enforcement actions, we note a continued declining trend in certain breaches of our rules, such as in relation to financial reporting obligations by listed companies.

EDUCATION AND ADVOCACY PROGRAMMES UNDER CMEIF

The Capital Market Education and Integrity Fund (**CMEIF**) which consists of fines collected from errant parties by Bursa Malaysia as well as transfer fees was set up with clear provision that the monies are to be utilised primarily for market education and advocacy programmes.

In 2018, with funding from CMEIF, we conducted 67 advocacy programmes for Directors of listed companies, CEOs, CFOs, principal officers, internal auditors, company secretaries and brokers. These programmes were well-received with more than 4,000 participants.

In 2018, some of the key programmes carried out were:-

Continuing programmes

1. Technical Briefing on Disclosures for Company Secretaries
2. CG and Sustainability Breakfast Series for Directors
3. Sustainability Engagement Series for Directors, CEOs, CFOs, CSOs and Practitioners
4. Sustainability Reporting Workshops for Company Secretaries
5. Joint Programmes with Professional Bodies or Industry Subject Matter Experts on Cyber Security, Governance, Compliance, Risk Management and Internal Audit for Brokers
6. Collaboration with MIBA/ASCM/Industry Associations on governance, KYC/AMLA and business conduct for Brokers
7. Empowering Women Series
8. Advocacy Session for Independent Directors for Listed Companies to strengthen the quality of independent directors and improve disclosure
9. Advocacy session on improving the function of Internal Audit of Listed Companies
10. Market Integrity Symposium for Brokers

New Programmes

1. Collaboration with MIRA to strengthen the function of investor relations amongst listed companies
2. Sector-specific sustainability workshops for top 100 listed companies
3. Sharing session on Bursa's findings on sustainability disclosure review 2017

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors of Bursa Malaysia (The Board) is committed to maintaining a sound internal control and risk management system. Each business/ functional unit has implemented its own control processes under the leadership of the Chief Executive Officer (CEO), who is responsible for good business and regulatory governance. The following statement outlines the nature and scope of the Group's internal control and risk management in 2018.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. The Board recognises that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group's policies and achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2018, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (AC) in relation to the audits conducted by Internal Audit (IA) during the year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated on during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

The Risk Management Committee (RMC) provides oversight on risk management matters relating to the activities of Bursa Malaysia as an exchange holding company and of its subsidiaries in accordance with Section 22 of the Capital Markets and Services Act 2007 (CMSA), to ensure prudent risk management over Bursa Malaysia's business and operations. At its scheduled meetings in 2018, the RMC had reviewed, appraised and assessed the efficacy of the controls and progress of action plans taken to mitigate, monitor and manage the overall risk exposure of the Group. The RMC also reviewed proposals for new products, monitored the progress and status of risk management activities, as well as raised issues of concern and provided feedback for Management's actions.

Internal control and risk-related matters which warranted the attention of the Board were recommended by the AC and RMC to the Board for its deliberation and approval and matters or decisions made within the AC's and RMC's purview were escalated to the Board for its notation.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:

1. SEPARATION OF COMMERCIAL AND REGULATORY FUNCTIONS

a. The Group's commercial and regulatory functions are segregated to ensure the proper discharge of Bursa Malaysia's regulatory duties. Both these functions operate independently of each other to ensure that business units are not in a position to unduly influence any regulatory decision made by the Regulation unit. It is Bursa Malaysia's statutory duty to always act in the public interest, with particular regard for the need to protect investors. As such, the Board of Bursa Malaysia which includes Public Interest Directors is responsible for upholding public interest in its decision making.

   To this end, Regulatory Committees have been set up to deliberate and decide on regulatory matters to ensure Bursa Malaysia upholds its obligation to safeguard public interest. These committees comprise the Regulatory & Conflicts Committee, Listing Committee, Market Participants Committee, and Appeals Committee, which apart from Board members, comprise independent individuals with significant and relevant industry experience.

b. Processes are established and set out in the Guidelines for Handling Conflicts of Interest (COI) to deal with any possible COI which may arise in the course of Bursa Malaysia performing its commercial or regulatory role.

2. AUTHORITY AND RESPONSIBILITY

a. Certain responsibilities are delegated to Board Committees through clearly defined Terms of Reference (TOR) which are reviewed annually.

b. The Corporate Authority Manual is reviewed to reflect the authority and authorisation limits of Management in all aspects of the Group's major business operations and regulatory functions.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

c. The Group's Management Governance Framework, comprising two committees for the governance function (Corporate Sustainability Committee and Management Risk & Audit Committee) and two committees for the operations function (Management Committee and Management Regulatory Committee), has clearly defined TOR to enable good business and regulatory governance.

3. PLANNING, MONITORING AND REPORTING

a. An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year. These are deliberated on and approved by the Board before its implementation.

b. The Board is updated on the Group's performance at the scheduled meetings. The Group's business plan and actual versus budget performance for the year are reviewed and deliberated on by the Board on a half-yearly basis. Financial performance variances are presented to the Board on a quarterly basis.

c. There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans. The Board also reviews and approves the Annual Regulatory Report, which informs the Securities Commission Malaysia (SC), under Section 16 of the CMSA, of the extent to which Bursa Malaysia and its subsidiaries have complied with their duties and obligations under Sections 11 and 21 of the CMSA.

d. The Director of Finance & Corporate Services who is also the Chief Financial Officer (CFO) is required to provide assurance to the AC that appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements of the Group is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs) and the International Financial Reporting Standards (IFRSs). The CFO also assures that adequate processes and controls are in place for effective and efficient financial reporting and disclosure under the requirements of MFRSs, IFRSs, the Companies Act 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), and that the Annual Financial Statements and the quarterly Condensed Consolidated Financial Statements of the Group give a true and fair view of the financial position and financial performance of the Group and do not contain any material misstatement.

e. Pursuant to the recommendation of Bursa Malaysia's Sustainability Reporting Guide that an organisation should reconsider its material sustainability risks and opportunities (i.e. sustainability matters) at least once a year to ensure that the sustainability matters being managed and reported remained significantly important to its business and are aligned to stakeholders' needs, the Group undertook a materiality assessment in 2018, comprising a series of focus group sessions, interviews and an online materiality survey with various key internal and external stakeholders. This process resulted in an expanded list of 17 material sustainability matters, offering greater granularity and clarity as compared to the 4 material sustainability factors (i.e. Market Integrity & Stability, Competition, Technology and Talent) identified since 2016 remained relevant till 2017. For more details on the 17 material sustainability matters, please refer to the Sustainability Report 2018.

   The key findings of the 2018 materiality assessment were subsequently presented to and reviewed by the Corporate Sustainability Committee and approved by the Board for disclosure in the Group's Sustainability Statement and standalone Sustainability Report 2018.

4. POLICIES AND PROCEDURES

Clear, formalised and documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations. A list of identified laws and regulations applicable to Bursa Malaysia is documented and maintained to facilitate compliance. Regular reviews are performed to ensure that documentation remains current and relevant. Common Group policies are available on Bursa Malaysia's intranet for easy access by employees.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

5. AUDITS

a. Audit engagements are carried out based on the annual audit plan approved by the Audit Committee and takes into consideration feedbacks from the Management. IA assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations and also, at times, benchmark against available best practices. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, IA provides recommendations to Management to improve their design and effectiveness of controls where applicable.

   In addition, IA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control processes on an annual basis to the AC based on the engagements carried out within the financial year including review reports prepared by external consultants, if any. The Audit Committee takes note of the review results (which include aggregated state of internal controls, exceptions analysis, and root cause analysis) which are subsequently shared with Senior Management to ensure continuous enhancement of the internal control system of the organisation. The Board is updated on the results of the review of the Group's internal control framework.

b. On-site regulatory audits/reviews are conducted by the SC on the Group's operations to ensure compliance with its duties and obligations under the CMSA, as well as its policies and procedures.

c. The yearly certification for the Information Security Management System (ISMS), MS ISO/IEC 27001:2013 was carried out by CyberSecurity Malaysia. The ISMS scope covered the management, operation and maintenance of the information system assets and information systems of the Group. ISMS internal audits are also conducted by a qualified team of personnel prior to the certification year.

d. The External Auditors' annual plan which comprises planned audit services (inclusive of other assurance-related services), recurring non-audit services and non-recurring non-audit services is tabled annually to the AC for deliberation and approval.

e. In addition to the annual audit of the financial statements of the Group, the External Auditors are engaged to conduct reviews on all of the condensed financial statements for the quarter and cumulative quarters in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

f. The IA team is required to conduct quarterly assessments of the internal control system pertaining to the processes of the relevant business/functional units which have a bearing on the financial information of the Group, to ensure the reliability and integrity of such information.

   The Director of IA, who is also the Head of IA, is required to confirm the effective operation of process controls which support the preparation of the financial statements.

g. IA conducts system readiness reviews to assess the progress of project implementations according to the pre-determined timelines, milestones and objectives of selected key projects and also to ensure that due process has been complied with prior to the implementation or launch of significant systems development and enhancement projects. Post Implementation Reviews are also conducted after a predefined period of time to assess the materialisation/benefit achievement of the objectives of the implemented systems/initiatives.

6. RISK MANAGEMENT

a. The Risk & Compliance (RC) oversees the risk and compliance management functions for the Group at the enterprise wide level. Since its establishment, it has developed the necessary risk and compliance management frameworks to enhance the Group's governance structure, aligned the initiatives of RC to support the overall aspirations of the Group, integrated the various risk and compliance processes, as well as conducted risk and compliance engagement awareness programmes across the Group.

b. The Group adopts the Guidelines on Financial Market Infrastructures issued by the SC Malaysia and best practices such as ISO 31000:2009 Risk Management – Guidelines and International Organisation of Securities Commissions (IOSCO) – Principles for Financial Market Infrastructures (PFMI) frameworks, to manage the risks of its business and operations. These best practice risk management standards are encapsulated into the overarching risk management and compliance framework known as the Enterprise Risk Management Principles & Framework (ERMPF). The ERMPF in turn is supported by the Enterprise Risk Management Process & Guidelines manuals (ERMPG) which detail the processes of the ERMPF. One of the key features of the risk management framework is the implementation of the three lines of defence comprising established and clear functional responsibilities and accountabilities for the management of risk.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

Three Lines of Defence

c. Senior Management, which includes Management Committee members and Divisional Heads, are the first line of defence and are accountable for all risks assigned under their respective areas of responsibility based on the ERMPF and ERMPG. This group of personnel is also responsible for the continuous development of the risk management capabilities of employees and ensures that risk management is embedded in all key processes and activities.

d. The second line of defence is provided by the RC team and Management Risk & Audit Committee (MRAC), with oversight by the RMC. The RC team is responsible for monitoring the risk and approving matters within its authority for implementation across the Group.

e. The third line of defence is provided by IA and AC and are responsible for providing assurance on the effectiveness of the enterprise risk governance framework.

f. Within the framework, the Group has an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels. The analysis and evaluation of our risks are guided by approved risk criteria. The Group also has risk management tools to support the risk management process and reporting.

g. As part of RC's commitment to ensure that the risk management models remain robust and relevant, an annual independent validation of stress testing and margining models were undertaken for the 2 Central Counterparties (CCPs) within the Group, which conform to the requirements of the PFMI as well as the SC Malaysia's Guidelines on Financial Market Infrastructure. The review showed that the 2 CCPs generally observed the PFMI.

h. As part of good practices, one of the initiatives undertaken in the review of the ERMPF was the formalisation of the Group's risk appetite and risk tolerance, which documented the overarching parameters of the Group for the management of risk. With this significant milestone in place, there is better clarity on the limits and thresholds at the enterprise wide level so that the optimum allocation of resources can be determined to protect and enhance the Group's business and operations.

i. For 2018, the Risk and Compliance Communication and Engagement Plan was rolled out comprising various risk management and compliance awareness programmes. The main objectives of the programmes are to inculcate a robust risk governance and compliance culture to all segments of Bursa wide staff ranging from staff at all levels to senior management and the board of directors. The programmes conducted in 2018 have been enriched to focus on application of risk management and compliance framework, as compared to increasing awareness in 2017.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

j. The management and reporting of risks in the Group have been aligned with four risk categories for the Enterprise Risk Management as outlined below:

i. Management of Operational Risk

The management of operational risk is guided by Principle 17 of the IOSCO- PFMI. Operational risk is identified as the risk that deficiencies in information systems or internal processes, human errors, management failures, or disruptions from external events that will result in the reduction, deterioration, or breakdown of services provided by Bursa Malaysia.

The management of some of the significant operational risks faced by the Group for the financial year 2018 are outlined below:

- **Business interruption**
  Appropriate systems with adequate capacity, security arrangements, facilities and resources are in place to mitigate risks that could cause interruption to the Group's critical business functions. The Group has a comprehensive Business Continuity Plan (BCP), including a Disaster Recovery Plan which is tested annually to ensure continuity of the business and technology operations.

  In 2018, the Group did not encounter any major business interruption. In order to provide assurance that the Group can continue its business operations in the event of a disaster, two mandatory industry wide BCP exercises were conducted in 2018.

  Besides the mandatory industry-wide tests, the Group also facilitated two BCP exercises for the market participants. The objective of this exercise was to ensure market participants' backup sites/ systems can be connected successfully to Bursa Malaysia in the event of a disruption.

- **Cyber security**
  Bursa Malaysia has implemented various mitigation measures to manage Cyber Security risk including a robust network architecture which is segmented into private and public networks. This aims to isolate the problem within the segment in the event of a cyber-attack. Bursa Malaysia has invested and set in place adequate IT security tools and mechanisms to enhance the cyber resilience capabilities to anticipate, withstand, contain and rapidly recover from a cyber incident with the objective of limiting the escalating risks that cyber threats pose to Bursa Malaysia and the broader capital market.

  The tools and mechanisms are reviewed and assessed on an annual basis or as and when needed. In addition, review on the cyber security architecture by an independent party is conducted periodically. It aims to ensure observance with the Guidance on Cyber Resilience for Financial Market Infrastructures issued by IOSCO as well as to comply with the Guidelines on Management of Cyber Risk issued by the SC Malaysia.

  Bursa Malaysia was selected and participated in the Capital Market Cyber Drill Simulation (CMCDS) organised by the SC Malaysia alongside with 38 other participants in the capital market industry on 11 October 2018. The objective of the drill is to gauge the capital market readiness on cyber preparedness.

- **Physical Security**
  Bursa Malaysia has put in place several controls to mitigate physical breaches covering the main Bursa building as well as the Disaster Recovery site. To ensure that Bursa Malaysia is sufficiently prepared to meet any eventuality, there are plans that have been developed and exercised to address multiple possible scenarios which can impact the physical security at Bursa Malaysia's premises.

  Procedures on Managing High Risk Roles was established to manage situations of threats directed at and/ or safety concerns arising from Bursa Malaysia staff who carry out high risk job functions or roles in their work place. The procedures outlined the incident reporting and response procedures to be carried out in those situations.

- **Policies & Procedures**
  The effective operations of Bursa Malaysia is dependent to a significant extent on the availability, adequacy and effectiveness of its frameworks, policies, processes and procedures. Hence, Bursa Malaysia has put in place the key frameworks, policies and procedures which include the following:

  – System/Operations – IT Security Policy, Information Management Policy, Business Rules, Trading & Clearing procedures, ISMS Manual
  – Risk & Compliance – ERMPF, Compliance Framework, BCM Framework
  – People – Code of Ethics, Employee Handbook, Group Disciplinary Policy
  – Budget – Finance Policies & Procedures, Corporate Authority Manual, Contract Management Guidelines

  The key frameworks, policies and procedures will continue to be reviewed to ensure that the effectiveness and adequacy of the implementation are in accordance with global best practices and standards.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

ii. Management of Financial Risk

The Group has in place robust risk management processes and procedures to manage counterparty/settlement risks and prevent a systemic impact on the market. Bursa Malaysia Securities Clearing Sdn Bhd (BMSC) and Bursa Malaysia Derivatives Clearing Berhad (BMDC) (collectively referred to as "Clearing Houses") act as the central counterparty for equities and derivatives trades, respectively, and thus are subject to counterparty credit risk. The processes and procedures of these two Clearing Houses are in line with the PFMI issued by the Committee on Payment & Settlement Systems (CPSS), a Technical Committee of the IOSCO. The management of financial risk is guided by the following principles: -

Principle 4 of PFMI (Credit Risk)	>	requires the Central Counterparty (CCP) to maintain sufficient financial resources to cover its credit exposure to each participant and manage its credit exposure arising from its payment, clearing and settlement processes effectively.
Principle 5 of PFMI (Collateral)	>	requires the CCP to accept only collaterals with low credit, liquidity and market risks while ensuring appropriate haircut and limits are imposed accordingly.
Principle 6 of PFMI (Margin)	>	requires the CCP to manage its credit exposure through the collection of margins.
Principle 7 of PFMI (Liquidity Risk)	>	requires the CCP to maintain sufficient liquid resources in all relevant currencies to effect same-day, intraday and multiday settlements with a high degree of confidence.
Principle 16 of PFMI (Custody and Investment Risk)	>	requires the CCP to safeguard its own and participants' assets and invest in instruments with minimal credit, market and liquidity risks.

The risk mitigation measures that have been put in place to manage Financial Risk are outlined below:

- Daily mark-to-market of outstanding positions and intraday revaluation of positions and collaterals;
- Initial and variation margin requirements; as well as prudent cash and collateral management;
- Monitor Trading Clearing Participants' (TCP) and Clearing Participants' (CP) capital adequacy ratios and adjusted net capital levels;
- Monitor settlement flows for both BMSC and BMDC and manage the Clearing Houses' exposure vis-a-vis other financial institutions;
- Perform daily stress-tests on adequacy of the Clearing Guarantee Fund (CGF) of BMSC and the Clearing Fund of BMDC respectively, to ensure that they are sufficient to protect the Clearing Houses under extreme but plausible market scenarios;
- Perform daily stress tests on adequacy of liquid resources of the Clearing Houses to ensure that there are sufficient liquid resources to meet their settlement obligations on a timely manner; and
- Conduct annual default drill exercises by simulating default scenarios to test the effectiveness of the Default Management Procedures to ensure they remain robust and relevant in the face of the uncertain market environment.

In 2018, there were no settlement defaults by any TCP or CP and neither the CGF nor the Clearing Fund needed to be called upon.

iii. Management of Strategic Risk

Strategic risk refers to Bursa Malaysia's exposure to internal and external events that can either support or prevent Bursa Malaysia from achieving its objectives. In accordance with the Bursa Malaysia's Corporate Risk Profile for 2018, the key areas monitored under Strategic Risk are competition, high impact projects and new technologies. The key competition risks monitored from market developments are assessed for their impact on Bursa Malaysia's current business plan such as economic trends and potential entry of market disrupters which can challenge Bursa Malaysia's aspiration to become the leading ASEAN marketplace. In addition, high impact projects are monitored to assess the risk implications to Bursa Malaysia based on their progress status against the objectives outlined in the current business plan as they are the key drivers to support Bursa Malaysia's attainment of strategic objectives. Finally, the risk of failure to embrace new technologies can potentially leave Bursa Malaysia to become uncompetitive amongst its peers.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

iv. Management of Legal and Regulatory Risk

The management of Legal and Regulatory Risk aims to ensure that the Group's exposure to potential legal liabilities during the course of business such as rule implementation or product liability are well mitigated to avoid disruption to its business and operations. If not properly mitigated, legal liabilities can have a significant impact on the Group's reputation which in turn can affect investor confidence in the market.

In this regard, the Legal and Regulatory Risk unit monitors for any new or on-going litigation cases to assess the potential adverse impact of these cases to the market, the Group's reputation and financial standing.

Another key area that Legal and Regulatory Risk unit monitors is the dynamic regulatory landscape which has been getting increasingly complex and costly to comply. With the fast pace of regulatory changes, there is the ever-present risk that the Group may breach new regulations and face reprimands or hefty fines from regulators. Thus, it is important for the Legal and Regulatory Risk unit to keep abreast of new regulations and assess their potential implications on the business operations of the Group.

The Group will continue to review and enhance the above processes and procedures in accordance with global best practices and standards to ensure that the risk management framework remains relevant and applicable in the current market environment.

Towards the end of 2018, all existing significant risks have been revisited together with any relevant inherent and emerging risks to assess their impact on the Group for the upcoming year and the Group recognised that the above significant risks will remain relevant for 2019.

7. COMPLIANCE MANAGEMENT

a. The Group's compliance management covers compliance to all legal obligations imposed on Bursa Malaysia, in particular laws, regulations, rules and major identified guidelines or legal requirements. It also covers risk-based compliance to internal policies and procedures, code of ethics and business conduct.

b. In managing the compliance function, a Compliance Management Framework is in place to ensure that the conduct of the compliance function is governed by internationally recognised standards and provide structured processes for establishing, implementing, evaluating, maintaining and improving the compliance management system for the Group. The Compliance Management Framework was developed based on the ISO 19600 Compliance Management System – Guidelines.

c. In 2018, there were no major non-compliance issues encountered.

8. PERFORMANCE MEASUREMENT

a. Key Performance Indicators (KPIs), which are based on the Corporate and Divisional Balanced Scorecards and Individual KPIs and Behavioural Competencies are used to track and measure employees' performance.

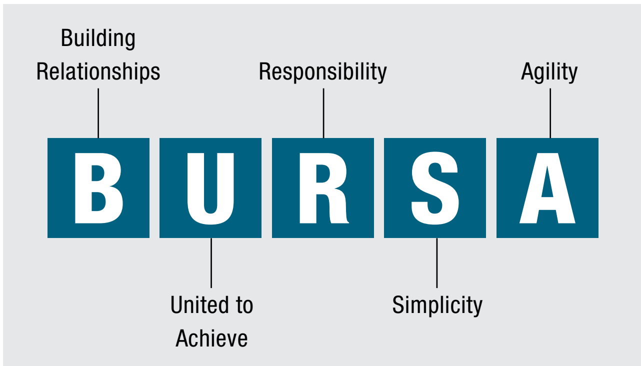
b. Yearly employee engagements and customer satisfaction surveys are conducted to gain feedback on the effectiveness and efficiency of stakeholder engagements for continuous improvement.

9. EMPLOYEES' COMPETENCY

Hiring and Termination Guidelines are in place while training and development programmes are conducted to ensure that employees acquire the necessary competencies required to carry out their respective job roles in achieving the Group's objectives.

10. CONDUCT OF EMPLOYEES

a. Bursa Malaysia's corporate culture is founded on the following core values which are continuously inculcated in employees during their service to Bursa Malaysia and its stakeholders:



and enhances the 3Ds – "Dynamic, Driven and Dependable" behaviour of its employees.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

b. A Code of Ethics is established for all employees, which defines the ethical standards and conduct of work required at Bursa Malaysia.

c. Bursa Malaysia has a Whistleblower Policy and Procedures (WPP) to provide an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group. The AC has the overall responsibility in overseeing the implementation and monitoring of the WPP for Bursa Malaysia Group, and ensuring effective administration thereof by the Director of IA.

d. A Securities Transaction Policy is established to govern the securities transactions of the Group's employees. The policy prohibits employees from using unpublished price sensitive information obtained during the course of their work for personal gain or for the gain of other persons. All employees (including principal officers) are also not allowed to trade in the securities of Bursa Malaysia during the closed period, which is 30 calendar days preceding the announcement of the Group's quarterly and annual financial results.

e. Anti-corruption is considered as a material theme to Bursa Malaysia under the FTSE4Good Bursa Malaysia Index (F4GBM). One of the themes that Bursa Malaysia has to fulfill as a constituent of F4GBM, is to have an anti-corruption policy. Based on this, the existing Corporate Fraud Policy was replaced with an Anti-Fraud, Bribery and Corruption Policy to perform a sound fraud, bribery and corruption risk management and prevention approach and process which involves risks assessment, analysis, treatment, monitoring and reporting in a structured, systematic and consistent manner. The Policy covers anti-fraud, bribery and corruption measures in areas of governance, risk assessment, prevention, detection, investigation & corrective action and monitoring.

f. An Information Management Policy has been established to provide direction and guidance for the classification, management and control of information used by the Group, so as to protect and preserve the security of information from being wrongly disseminated or distributed to unauthorised parties.

g. Management and employees at Grade E6 and above are required to annually declare and provide an update on assets acquired or disposed of during the year.

h. Segregation of duties is practised whereby conflicting tasks are assigned to different employees to reduce the scope for error and fraud.

11. INSURANCE

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken by Management to review the coverage of the assets as recorded in the current fixed asset register and their respective net book values and "replacement values", that is the prevailing market price for the same or similar item, where applicable. There is also a yearly exercise to ensure the adequacy and renewal of the Group's insurance coverage of financial lines (i.e. Directors' and Officers' Liability, Crime and Professional Indemnity, Financial Institution Crime, Cyber Liability and Financial Institution Professional Indemnity).

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for inclusion in the 2018 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. This Statement was approved by the Board on 30 January 2019.

IA has also reviewed this Statement and reported to the AC that, while it has addressed certain individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system.

CONCLUSION

The Board is of the view that the system of internal control and risk management in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

The Board has received assurance from the CEO and CFO that the Company's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group.

AUDIT COMMITTEE REPORT

The Board presents the Audit Committee Report which provides insights into the manner in which the Audit Committee discharged its functions for the Group in 2018.

COMPOSITION AND ATTENDANCE

The Audit Committee (AC) comprises four members, all of them are Independent Non-Executive Directors (NEDs) including one who is also a Public Interest Director. All of the Independent NEDs satisfy the test of independence under Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR). The AC meets the requirements of paragraph 15.09(1)(a) and (b) of the MMLR and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG). The AC members' attendance records are outlined in the Corporate Governance Overview section on page 6 of this Governance and Financial Reports.

The AC Chairman, Mr. Pushpanathan a/l S.A. Kanagarayar, is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants. Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of MMLR.

The Board reviews the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference (TOR) which is available on Bursa Malaysia's website. The TOR of the AC was also reviewed and amended in November 2018 to be consistent with the provisions of the Constitution of Bursa Malaysia which was duly approved by its shareholders at the 41st Annual General Meeting held on 28 March 2018.

MEETINGS

The AC held six meetings in 2018 without the presence of other Directors and employees, except when the AC requested for their attendance. The Chief Executive Officer (CEO) was invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's operations. The Director of Internal Audit (IA), who is also the Head of IA, and departmental heads of the respective IA functions attended all AC meetings to table the respective Internal Audit (IA) reports. The relevant responsible Management members of the respective auditees were invited to brief the AC on specific issues arising from the audit reports or on any matters of interest.

As part of the AC's efforts to ensure the reliability of Bursa Malaysia's quarterly financial statements and compliance with applicable Financial Reporting Standards, the external auditors were engaged to conduct a limited review of Bursa Malaysia's quarterly financial statements before these were presented to the AC for review and recommendation for the Board's approval and adoption.

Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation. In 2018, the AC Chairman presented to the Board the Committee's recommendations to approve the annual and quarterly financial statements. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the external auditors or internal auditors in the respective quarterly presentations.

For the declaration of second interim dividend in respect of financial year 2017, the AC at its first meeting held on 29 January 2018 reviewed the solvency test undertaken by the Management which indicated that the funds were available to pay debts within 13 months from the date of declaration (including 12 months from the payment date). In view of the proposal to declare first interim and special dividends, the AC at its third meeting on 25 July 2018 reviewed the solvency tests which were performed by Management on Bursa Malaysia and its subsidiaries. This was to ensure that Bursa Malaysia is solvent, that is being able to pay its debts as and when the debts become due within 12 months after the distribution of dividends being made pursuant to Section 132(3) of the Companies Act 2016. Based on the Chief Financial Officer (CFO)'s confirmation that the surplus funds of the subsidiary companies within the Group would remain adequate, the AC resolved to recommend for the Board's approval of the first interim dividend and a special dividend under the single-tier system for the financial year 2018. At the same meeting, the AC also conducted a capital efficiency review to assess the excess cash position of several subsidiary companies, after earmarking for six months operating expenditure in compliance with the Financial Sector Assessment Programme's recommendations, and payment of dividends.

As the AC is responsible for overseeing the implementation of the Whistleblower Policy and Procedures (WPP) for the Group's employees and third parties, a complaint received by the Senior Independent Director via email from an external party was reported by the Head of IA for the AC's notation at its meeting in April 2018 in accordance with the process under the WPP. Arising from IA's review, the relevant department had communicated its response to the complainant. Apart from that, there were no reporting of whistleblowing cases in 2018.

AUDIT COMMITTEE REPORT

SUMMARY OF WORK

The AC's work during 2018 comprised the following:

1. Financial Reporting

a. In overseeing Bursa Malaysia's financial reporting, the AC reviewed the quarterly financial statements for the fourth quarter of 2017 and the annual audited financial statements for 2017 at its meeting on 29 January 2018.

The quarterly financial statements for the first, second and third quarters of 2018, which were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 *Interim Financial Reporting*, International Accounting Standard (IAS) 34 *Interim Financial Reporting* and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 23 April 2018, 25 July 2018 and 24 October 2018, respectively.

On 28 January 2019, the AC reviewed the quarterly financial statements for the fourth quarter of 2018 and the annual audited financial statements for 2018.

The AC's recommendations were presented for approvals at the subsequent Board meetings.

b. To safeguard the integrity of information, the Director of Finance & Corporate Services, who is also the CFO had, on 13 April 2018, 20 July 2018, 19 October 2018 and 22 January 2019, given assurance to the AC that:

i. Appropriate accounting policies had been adopted and applied consistently;
ii. The going concern basis applied in the annual financial statements and condensed consolidated financial statements was appropriate;
iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRS and International Financial Reporting Standards (IFRS);
iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS, IFRS, IASs and MMLR; and
v. The annual financial statements and quarterly condensed consolidated financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2018.

2. External Audit

a. The AC deliberated on the external auditors, Ernst & Young (EY)'s report at its first meeting on 29 January 2018 with regard to the relevant disclosures in the audited financial statements for 2017. The AC also considered the outcome of EY's assessment on areas relating to the early adoption of MFRS 16 *Leases*.

At the same meeting, the lead audit engagement partner, Dato' Megat Iskandar Shah bin Mohamad Nor of EY confirmed that EY was and had been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the MIA. He further highlighted the key audit matters, as set out in the reports on the audit of the financial statements for the FY2017.

b. At the same meeting, the AC took note of the audit services rendered by EY in 2017 which included five subsidiary companies within Bursa Malaysia Group which are classified as public interest entities and subject to the quality review partner's review. The subsidiary companies mentioned are the securities and derivatives exchanges and their respective clearing houses, as well as the central depository.

The CFO presented to the AC the audit fees incurred with reference to the 2017 Audit Plan.

c. On 29 January 2018, the CFO further sought the AC's approval for the proposed audit and non-audit services to be provided by the external auditors for 2018 (2018 Annual Plan). The AC reviewed the list of services in the 2018 Annual Plan which comprised the audit services (which included the quarterly limited reviews and other regulatory reporting requirements such as the annual review of the Statement on Internal Control and Risk Management (SICRM)), recurring non-audit services and non-recurring non-audit services that may be provided by the external auditors.

AUDIT COMMITTEE REPORT

The recurring non-audit services were in respect of tax compliance and transfer pricing documentation review. The non-recurring non-audit services that was expected to be utilised in 2018 was mainly for certain consultancy services.

The AC reviewed EY's non-recurring non-audit services and was satisfied that such services to be sought from EY would not impair its audit independence as external auditors of Bursa. The AC was also satisfied with EY's technical competency and reasonableness of fees. The AC resolved to approve the 2018 Annual Plan including the recurring non-audit and non-recurring non-audit services, and audit services subject to the re-appointment of EY as External Auditors of Bursa Malaysia for the financial year 2018 at the 41st Annual General Meeting (AGM).

d. In line with the revised Auditor Independence Policy as approved by the Board on 25 April 2016, the AC carried out an annual review of the performance of the External Auditors including the assessment of their suitability, objectivity and independence. The AC was satisfied with EY's performance for 2017 in three areas comprising of quality of audit services provided, sufficiency of audit resources, and communication and interactions, and recommended to the Board the re-appointment of EY as External Auditors of Bursa Malaysia Group for the 2018.

   With the shareholders' approval of the appointment of EY as External Auditors for 2018 on 28 March 2018, Dato' Megat Iskandar Shah bin Mohamad Nor of EY, being the lead engagement partner for the fourth year in 2018, presented the auditors' review reports on the unaudited quarterly financial statements together with that of the relevant cumulative quarters in accordance with the International Standard on Review Engagements (ISRE) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" at the quarterly AC meetings in 2018 and January 2019.

e. With reference to Clause 5 of Bursa Malaysia Group's Auditor Independence Policy, the AC's approval was sought in August 2018 for unplanned non-audit services obtained from Ernst & Young Tax Consultants Sdn Bhd (EYTC) to conduct a comprehensive study on the impact of imposition of capital gains tax (CGT) on quoted securities and derivatives in Malaysia. The AC approved the said appointment of EYTC based on the outcome of the Management's review as summarised below:

   i. The non-audit fee for CGT assessment is for a special project, not recurring in nature and unlikely to create any conflict of interest (COI);

   ii. The EYTC team conducting the CGT assessment is separate and would not be involved in the statutory audit work of EY as external auditors of Bursa Malaysia Group. Hence, this would further mitigate any potential COI, and ensure that such services to be provided by EY would not impair its audit independence as external auditors of Bursa Malaysia; and

   iii. The aggregate amount of non-recurring non-audit services stands at RM155,000, representing 17% of the total auditors' remuneration.

f. On 24 October 2018, the AC reviewed the External Auditors' 2018 Audit Plan Memorandum outlining their scope of work and the proposed fees for the statutory audit, together with assurance-related fees for limited reviews of the four quarterly condensed consolidated financial statements, and review of the SICRM in accordance with International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Review of Historical Financial Information and Audit & Assurance Practice Guide 3 – Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report as issued by the MIA. The AC recommended the proposed audit fees for the Board's approval and the same was approved by the Board on 29 October 2018.

   EY in its 2018 Audit Plan Memorandum also presented to the AC the names of its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters with reference to the International Standard on Auditing 701. The AC upon due deliberation approved the 2018 Audit Plan Memorandum for implementation in accordance with the audit timeline.

g. The AC had two private meetings with the External Auditors in January and October 2018 respectively, without the presence of the CEO, Management, and Internal Auditors. The AC enquired about the Management's and staff's co-operation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions, particularly in relation to the compliance with applicable MFRSs. The AC viewed coordination and sharing of information and feedback amongst the external auditors, Finance and Internal Audit would continuously improve and maximise efficiency in audits. The AC Chairman also reiterated to the External Auditors to contact him at any time should they be aware of incidents or matters in the course of their audits or reviews that needed his attention or that of the AC or the Board.

AUDIT COMMITTEE REPORT

h. With reference to the Auditor Independence Policy of Bursa Malaysia Group as approved by the Board in April 2016, the lead engagement partner and quality review partner who are responsible for the financial statements of Bursa Malaysia Group will be subject to a five-year rotation with a two-year cooling-off period. Dato' Megat Iskandar Shah bin Mohamad Nor became the lead engagement partner in 2015 and will be rotated in 2020. The quality review partner, Mr. Yeo Beng Yean appointed in 2016 will be due for rotation in 2021.

i. In accordance with the Auditor Independence Policy, the AC had on 28 January 2019, undertaken an annual assessment of the quality of audit which encompassed the performance of EY, the quality of EY's communications with the AC and Bursa Malaysia, and EY's independence, objectivity and professionalism.

   Assessment questionnaires were used as a tool to obtain input from Bursa Malaysia personnel who had substantial contact with the external audit team throughout the year. EY's performance was rated using a five-point scale on their ability to provide advice, suggestions or clarifications relating to the presentation of financial statements, ability to provide realistic analysis of issues using technical knowledge and independent judgment, and maintain active engagement, through both verbal and written communication during the audit process, as well as their responsiveness to issues.

   With regard to the observations by Bursa Malaysia's personnel on the external audit team, the AC also took into account the assessment of the lead engagement partner and engagement team's performance based on the two private meetings held between the AC and the external auditors in October 2018 and January 2019. The AC was satisfied with the openness in communication and interaction with the lead engagement partner and engagement team, which demonstrated their independence, objectivity and professionalism.

j. Further information on the assessment of suitability, objectivity and independence of the external auditors by the AC are provided in the CG Report in accordance with Practice 8.3 of the MCCG.

k. On 28 January 2019, the CFO reported that non-audit fees incurred in 2018 amounted to RM385,000, constituting approximately 45.9% of the total remuneration of RM837,900 to the External Auditors for 2018. The non-recurring non-audit services rendered in 2018 included fees for reporting accountant's engagement on the bonus issue exercise and tax advisory engagement, which constituted approximately 15.5% of the total remuneration.

   The CFO also sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for 2019.

l. On 28 January 2019, EY in its presentation of the External Auditors' report to the AC provided a written assurance that they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of the Group for 2018.

3. Internal Audit

a. The IA team conducted the audit work as per the 2018 Annual Audit Plan approved by the AC on 22 November 2017. The Head of IA, namely Mazliana Mohamad and departmental heads of the respective IA functions presented the IA reports at each of the AC meetings during the year. The 2018 Annual Audit Plan was reviewed on a half-yearly basis or as required to reflect the developments that have had an impact on its coverage. A total of 47 audit engagements were completed in 2018.

b. The annual plan was developed through a comprehensive planning process that identifies and prioritizes possible auditable areas to be part of the audit coverage for the year. The identified key audit areas in 2018 were as follows:

   - Commercial
   - Regulation
   - Operations
   - Technology & Information Management
   - Other Functional Units – Human Resources, Risk & Compliance and Finance & Corporate Services

c. In addition to the engagement reports, IA updated the AC on its work at every AC meeting comprising the progress of the 2018 Annual Audit Plan and its key initiatives for 2018 which included quality assurance and continuous improvement programmes.

AUDIT COMMITTEE REPORT

d. The AC at its first meeting on 29 January 2018 reviewed and approved the 2017 IA Divisional Scorecard results. IA's divisional scorecard included the results of IA's Customer Satisfaction Survey for 2017, based on the responses of the AC members and senior management via questionnaires, which aimed to gauge the level of satisfaction with the IA roles and services, Internal Auditors' competency and professionalism as well as their independence and objectivity. The results indicated that IA's performance for 2017 met the AC's expectations.

   The AC also assessed the performance of the Head of IA based on the performance of the Corporate Scorecard, IA Divisional Scorecard results and competencies. The outcome of the Head of IA's performance assessment was then submitted to the Nomination and Remuneration Committee (NRC) for determination of her reward allocation.

e. At the same meeting, IA presented to the AC the 2017 Bursa Malaysia's Internal Controls Assessment Report which provided the results of the overall assessment of the internal control systems within the Group as well as the exception and root cause analysis. Based on the engagements carried out in 2017, IA reported that the overall internal control assessment for the Group was adequate.

f. The proposed 2018 IA balanced scorecard which was developed in accordance to the framework developed by Human Resources with regards to the scorecard perspectives and weightages. The financial perspectives have been excluded from the proposed IA scorecard. The proposed IA 2018 scorecard was approved by the AC after due deliberation.

g. In the second AC meeting of 2018 held on 23 April 2018, the AC reviewed the verification of share grants under Bursa Malaysia's Share Grant Plan (SGP), which comprised two components: the Restricted Share Plan (RSP) for employees at Grade E7 and above, and the Performance Share Plan (PSP) for key management personnel. The AC concurred that the award of shares under the SGP complied with the criteria approved by the NRC pursuant to Paragraph 8.17(2) of the MMLR, which included the following:

   i. The award of Bursa Malaysia Plan Shares to eligible employees of the Group on 18 April 2018 under the 2018 RSP Grant based on their job grades and performance ratings for 2017; and

   ii. The award of Plan Shares to selected executives of the Group on 27 April 2018 for the 2018 PSP Grant based on performance targets for the period from 1 January 2018 to 31 December 2020.

h. The AC at its third meeting on 25 July 2018 reviewed the second verification exercise of share grants under Bursa Malaysia's SGP, and the PSP for key management personnel. The AC concurred that the award of shares under the SGP complied with the criteria approved by the NRC pursuant to Paragraph 8.17(2) of the MMLR, which included the following:

   i. The adjustments of the unvested Bursa Malaysia Berhad shares pursuant to the bonus issue was based on 1 bonus share for every 2 existing BMB shares as approved by the shareholders during the Extraordinary General Meeting (EGM) held on 28 March 2018; and

   ii. The vesting of Plan Shares for the 2014, 2015 and 2016 RSP Grants on 16 July 2018.

   In addition, the IA reported to the AC that the 2015 PSP Grant was forfeited, as the performance qualifier was not met.

i. In the same meeting held on 25 July 2018, the AC reviewed the mid-year review of IA's FY2018 balanced scorecard which was presented by the Director of Human Resources together with the Director of IA.

j. The AC was also updated on the appointment of the external service provider (via tender exercise) for the cyber security assessment that was mandated by the AC to be carried out once every 3 years. The last assessment was carried out in the year 2015. The appointment of the external service provider supplements IA's assurance to the AC whereby technical expertise that are not available within the IA function is outsourced in line with the principles and practices listed in the Corporate Governance Guide 3rd Edition.

AUDIT COMMITTEE REPORT

k. In line with annual practice (based on the AC's recommendation) for EY to leverage on certain resources of Bursa Malaysia's internal auditors in the 2018 audit as well as reliance on the internal audit reports, EY had included the involvement of certain IA members in its 2018 Audit Plan Memorandum as presented to the AC on 24 October 2018. The areas of collaboration were identified for participation by the selected internal auditors in the 2018 year-end audit under the direct supervision of EY's audit team.

l. In the fifth AC meeting held on 22 November 2018, the AC deliberated and approved IA's 2019 Business Plan, and key initiatives with the aim of enhancing the IA function in terms of its capabilities, focus, deliverables and collaborative partnerships.

m. In the 1st Special AC meeting held on 13 December 2018, the AC approved the IA's Audit Plan for 2019 covering identified auditable areas using a risk-based audit planning with key focus areas such as Operations, Regulation, Support functions and IT systems/ application, and IT functional areas. Thematic reviews such as cyber security, third party risk management, and business continuity management with IT recovery management are also included as part of the Audit Plan 2019.

n. In the same meeting, the budget for the IA function for 2019 was also approved by the AC in accordance with the TOR of the AC.

o. The AC was informed of the results of the assessment of potential financial conflicts of interest of the internal auditors in relation to their potential secondment under the shared service arrangement with the External Auditors, in the year-end audit engagement. In this assessment exercise of "financial conflict of interest", the assigned IA staff to assist the External Auditors should not have Bursa Malaysia shares (i.e. financial interest) worth more than 10% of their own individual net worth. This is in line with paragraph 340.4 of the By-laws (on Professional Ethics, Conduct and Practice) of the MIA.

   At the AC meeting on 28 January 2019, IA confirmed its organisational independence to the AC, where the Head of IA and all the internal auditors had signed the annual declarations that they were and had been independent, objective and in compliance with the Code of Ethics of Bursa Malaysia and the Institute of Internal Auditors Inc. in carrying out their duties for 2018. This annual declaration included the financial conflict of interest declaration of each individual IA staff. The AC is satisfied that the IA function is effective and able to function independently.

p. In the same meeting, the AC reviewed and deliberated on the outcome of the cyber security assessment results performed by the appointed external service provider.

q. On 28 January 2019, the AC reviewed the SICRM for publication in the Annual Report 2018.

INTERNAL AUDIT FUNCTION

The mission of IA is to enhance and protect organizational value of Bursa Malaysia Group by providing risk-based and objective assurance, advice and insight. IA helps Bursa Malaysia to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes.

The IA reports functionally to the AC and administratively to the CEO. To ensure that the responsibilities of IA are fully discharged in accordance with the International Standards for the Professional Practice of Internal Auditing, the AC reviews the adequacy of the scope and resources of the IA function as well as the competency and experience of the internal auditors.

Further information on the resources, objectivity and independence of the Director of IA and internal auditors are provided in the CG Report in accordance with Practice 10.2 of the MCCG.

The IA engagements were carried out based on an annual audit plan approved by the AC. The results of the audits in the IA reports were reviewed by the AC. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. IA conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.

The IA also leverages on the report received annually from the Chicago Mercantile Exchange Group's (CME) Independent Service Auditor (RSM US LLP) - Service Organisation Control 1 Report on Controls Placed in Operation and Tests of Operating Effectiveness relevant to the CME Globex Trading, CME ClearPort and CME Clearing Services. This report is received annually due to the listing of all of Bursa Malaysia Derivatives' products on CME's Globex Trading Platform. The CME's independent service auditors examine and express their opinion on CME's description of its trade matching and clearing services system for processing transactions for user entities and the suitability of the design and operating effectiveness of controls in achieving the related control objectives. IA communicates and engages with CME's independent service auditor for further information if necessary.

The total costs incurred by IA in discharging its functions and responsibilities in 2018 amounted to RM3,168,386 as compared to RM3,653,621 in 2017.

LIST OF PROPERTIES OWNED BY BURSA MALAYSIA GROUP

AS AT 31 DECEMBER 2018

No.	Location	Postal address	Description	Current use	Tenure	Remaining lease period (expiry date)	Age of building	Land area/ Built-up area (sq. metres)	Date of acquisition	Net book value as at 31 December 2018 RM'000
1.	Geran No. 28936 Lot No. 520 (formerly P.T.8) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	16-storey office building with 5-level basement car park and a lower level car park known as the Main Building	Office	Leasehold*	74 years (14 April 2092)	21 years	7,144/ 71,347	August 1997	111,531
2.	Geran No. 28938 Lot No. 522 (formerly P.T.10) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	2-storey office cum exposition building with 2-level basement car park known as the Annexe Building	Office	Leasehold*	77 years (28 February 2095)	20 years	9,314/ 38,609	March 1998	38,513
3.	Lot 5.0 to 8.0, No. Berdaftar Geran 17768/ MI/4/5 to 8 Bangunan No. M1 Lot No. 51452, Mukim of Kuala Lumpur Daerah Wilayah Persekutuan	4th Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur	Four office units on the 4th Floor of a 12-storey office building	Office	Freehold	N/A	35 years	N/A/ 3,355	May 1998	7,999

* The buildings are on freehold land which has been leased to Bursa Malaysia Berhad by the Federal Land Commissioner for a period of 99 years.

STATISTICS OF SHAREHOLDINGS

AS AT 31 JANUARY 2019

A. ISSUED SHARES OF THE COMPANY

The total number of issued shares of the Company stands at **807,474,671** ordinary shares, with voting right of one vote per ordinary share.

The changes in the number of issued shares of the Company from 537,500,900 ordinary shares since 13 July 2017 to 807,474,671 ordinary shares as at 31 January 2019 are as set out in the table below:

Date of Allotment	Number of Shares Allotted	Consideration	Total Number of Issued Shares
12 April 2018	268,750,371	Bonus issue on the basis of one (1) bonus share for every two (2) existing ordinary shares of Bursa Malaysia i.e. 537,500,900 Bursa Shares	806,251,271
12 July 2018	464,550	Subscription by the Trustee at RM4.72 per share under the Share Grant Plan (SGP)	806,715,821
	440,550	Subscription by the Trustee at RM5.25 per share under the SGP	807,156,371
	2,100	Subscription by the Trustee at RM5.02 per share under the SGP	807,158,471
	307,800	Subscription by the Trustee at RM6.75 per share under the SGP	807,466,271
	1,200	Subscription by the Trustee at RM6.48 per share under the SGP	807,467,471
	1,500	Subscription by the Trustee at RM6.22 per share under the SGP	807,468,971
	1,900	Subscription by the Trustee at RM7.16 per share under the SGP	807,470,871
	1,900	Subscription by the Trustee at RM6.89 per share under the SGP	807,472,771
	1,900	Subscription by the Trustee at RM6.62 per share under the SGP	807,474,671

B. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	353	3	356	1.90	6,392	118	6,510	0.00
100 - 1,000	3,285	53	3,338	17.81	2,072,953	29,100	2,102,053	0.26
1,001 - 10,000	11,900	282	12,182	64.99	39,821,744	1,184,344	41,006,088	5.08
10,001 - 100,000	2,271	228	2,499	13.33	57,620,600	7,752,805	65,373,405	8.09
100,001 - less than 5% of issued shares	203	162	365	1.95	189,389,692	196,795,731	386,185,423	47.83
5% and above of issued shares	3	0	3	0.02	312,801,192	0	312,801,192	38.74
Total	**18,015**	**728**	**18,743**	**100.00**	**601,712,573**	**205,762,098**	**807,474,671**	**100.00**

C. ANALYSIS OF EQUITY STRUCTURE

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individual	15,538	334	102,445,639	5,017,918	12.69	0.62
2.	Body Corporate						
	a. Banks/finance companies	26	0	94,347,437	0	11.68	0.00
	b. Investment trust/ foundation/charities	8	0	528,400	0	0.07	0.00
	c. Industrial and commercial companies	191	10	15,437,193	578,250	1.91	0.07
3.	Government agencies/ institutions	2	0	248,120,151	0	30.73	0.00
4.	Nominees	2,249	384	140,818,753	200,165,930	17.44	24.79
5.	Others	1	0	15,000	0	0.00	0.00
	Total	**18,015**	**728**	**601,712,573**	**205,762,098**	**74.52**	**25.48**

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

D. TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund	*150,300,001	18.61
2.	Kumpulan Wang Persaraan (Diperbadankan)	97,820,150	12.11
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	64,871,041	8.03
4.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	27,363,500	3.39
5.	Permodalan Nasional Berhad	17,299,300	2.14
6.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund G449 for Goldman Sachs Funds – Goldman Sachs Emerging Markets Equity Portfolio	15,332,400	1.90
7.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	15,000,000	1.86
8.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	12,942,950	1.60
9.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Stichting Depositary APG Emerging Markets Equity Pool	11,717,000	1.45
10.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Saudi Arabian Monetary Authority	11,217,600	1.39
11.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	10,530,000	1.30
12.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund KG33 for Invesco Asia Pacific Growth Fund	9,963,950	1.23
13.	The Nomad Group Bhd	9,109,092	1.13
14.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	8,654,200	1.07
15.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	8,251,750	1.02
16.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	7,754,277	0.96
17.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Goldman Sachs Trust – Goldman Sachs Emerging Markets Equity Fund	7,555,300	0.94
18.	Valuecap Sdn Bhd	7,466,600	0.93
19.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	6,493,400	0.80
20.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 9)	6,270,579	0.78
21.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	4,938,200	0.61
22.	Pertubuhan Keselamatan Sosial	4,643,600	0.58
23.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for JPMorgan Funds	4,591,600	0.57
24.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Schroder International Selection Fund	4,281,250	0.53

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

D. TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D.)

No.	Name	No. of Issued Shares	% of Issued Shares
25.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	4,116,800	0.51
26.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	4,000,000	0.50
27.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Forsta AP – Fonden	3,911,250	0.48
28.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	3,863,650	0.48
29.	Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3	3,431,400	0.43
30.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Income Fund	3,112,500	0.39
	Total	**546,803,340**	**67.72**

Note: * This includes 190,000 ordinary shares placed by CMDF under the Securities Borrowing and Lending Arrangement

E. SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 JANUARY 2019

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund (CMDF)	*150,300,001	18.61
2.	Kumpulan Wang Persaraan (Diperbadankan)	97,820,150	12.11
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	64,871,041	8.03

Note: * This includes 190,000 ordinary shares placed by CMDF under the Securities Borrowing and Lending Arrangement

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

F. DIRECT AND DEEMED INTERESTS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS

1. DIRECTORS

The interests of the Directors in the shares of the Company as at 31 January 2019 including those of his/her spouse and child/children which are deemed interest of the Directors by reference to Section 59(11)(c) of the Companies Act 2016 are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 59 of the Companies Act 2016, details of which are as follows:

	Direct Interest		Deemed Interest		
			Spouse	Child	
Name of Directors	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	No. of Issued Shares	% of Issued Shares
Tan Sri Amirsham bin A Aziz	0	0.00	-	-	-
Johari bin Abdul Muid	0	0.00	-	-	-
Datin Mariam Prudence binti Yusof	28,500	0.004	-	-	-
Datuk Karownakaran @ Karunakaran a/l Ramasamy	0	0.00	-	-	-
Datuk Chay Wai Leong	0	0.00	-	-	-
Ghazali bin Haji Darman	0	0.00	-	-	-
Pushpanathan a/l S.A. Kanagarayar	0	0.00	-	-	-
Datin Grace Yeoh Cheng Geok	0	0.00	-	-	-
Chong Chye Neo	0	0.00	-	-	-
Datuk Seri Tajuddin bin Atan (Chief Executive Officer (CEO))	1,392,750	0.172	-	-	Note (a)
Total	**1,421,250**	**0.176**	**-**	**-**	**-**

2. KEY SENIOR MANAGEMENT

The changes in interests of the Key Senior Management and their shareholdings in the shares of the Company as at 31 January 2019 including those of their respective spouses and child/children which are deemed interests, are as follows:

				Direct Interest		Deemed Interest		
						Spouse	Child	
Name of Directors	Number of Bursa Shares held as at 31.01.18	Bonus Issue on 12.04.18	Vesting of RSP Grants on 16.07.18	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	No. of Issued Shares	% of Issued Shares
Selvarany Rasiah	71,200	35,600	23,550	130,350	0.016	-	-	Note (b)
Datin Azalina binti Adham	110,600	55,300	21,600	187,500	0.023	-	-	Note (c)
Yew Yee Tee	132,600	66,300	15,150	214,050	0.027	-	-	Note (d)
Rosidah binti Baharom	138,700	69,350	18,600	226,650	0.028	-	-	Note (e)
Jamaluddin bin Nor Mohamad	46,900	23,450	12,600	82,950	0.010	-	-	Note (f)
Mahdzir bin Othman	0	-	-	0	0.000	-	-	Note (g)
Total				**841,500**	**0.104**	**-**	**-**	**-**

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

The CEO of Bursa Malaysia, Datuk Seri Tajuddin bin Atan and the aforesaid members of key senior management have indirect interests in the securities of the Company by virtue of their acceptance of ordinary shares granted under the Share Grant Plan (SGP) of Bursa Malaysia (Plan Shares) as follows:

(1) The vesting of Plan Shares granted under the Restricted Share Plan (RSP) of the SGP is subject to fulfilment of vesting conditions as at the vesting dates:

			Number of Plan Shares	
Notes	**Name of Key Senior Management**	**2016 RSP Grant**	**2017 RSP Grant**	**2018 RSP Grant**
(a)	Datuk Seri Tajuddin bin Atan	9,600	19,200	19,200
(b)	Selvarany Rasiah	8,850	12,000	11,800
(c)	Datin Azalina binti Adham	8,850	7,950	11,800
(d)	Yew Yee Tee	5,850	7,500	11,800
(e)	Rosidah binti Baharom	6,000	7,950	11,800
(f)	Jamaluddin bin Nor Mohamad	4,800	6,300	11,800
(g)	Mahdzir bin Othman	-	-	11,800
	Vesting Dates:	15 July 2019	15 July 2019	15 July 2019
			15 July 2020	15 July 2020
				13 April 2021

Note: The number of Plan Shares for the 2016 and 2017 RSP Grant was adjusted due to bonus issue on the basis of one (1) bonus share for every two (2) existing ordinary shares held in Bursa Malaysia.

(2) The vesting of Plan Shares granted under the Performance Share Plan (PSP) of the SGP is contingent on achievements against various performance targets for Bursa Malaysia group, and is subject to fulfilment of vesting conditions as at the vesting dates:

			Number of Plan Shares	
Notes	**Name of Key Senior Management**	**2016 PSP Grant**	**2017 PSP Grant**	**2018 PSP Grant**
(a)	Datuk Seri Tajuddin bin Atan	Up to 63,600	Up to 63,600	Up to 42,400
(b)	Selvarany Rasiah	Up to 53,100	Up to 35,700	Up to 23,600
(c)	Datin Azalina binti Adham	Up to 53,100	Up to 23,700	Up to 23,600
(d)	Yew Yee Tee	Up to 33,900	Up to 22,500	Up to 23,600
(e)	Rosidah binti Baharom	Up to 35,400	Up to 23,700	Up to 23,600
(f)	Jamaluddin bin Nor Mohamad	Up to 28,200	Up to 18,900	Up to 23,600
(g)	Mahdzir bin Othman	-	-	Up to 23,600
	Vesting Dates:	15 July 2019	15 July 2020	13 April 2021

Note: The number of Plan Shares for the 2016 and 2017 PSP Grant was adjusted due to bonus issue on the basis of one (1) bonus share for every two (2) existing ordinary shares held in Bursa Malaysia.

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

G. SHARE GRANT PLAN (SGP)

Under the SGP which is the only share issuance scheme of Bursa Malaysia in the financial year (FY) 2018, a maximum of 10% of the issued and paid-up share capital of Bursa Malaysia (excluding treasury shares) comprising ordinary shares of the Company (Plan Shares) are available at any point in time during the tenure of the SGP (Maximum Plan Shares Available). Further information on the SGP is set out in the Directors' Report and Note 30(b) of the Financial Statements in the Governance and Financial Reports 2018.

Brief details on the number of Plan Shares granted, vested and outstanding since the commencement of the SGP on 18 April 2011 and during the FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017 and FY 2018 are set out in the table below:

For the period from 18 April 2011 to 31 December 2011	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2011 RSP Grant	778,200	-	34,900	743,300
Number of Plan Shares vested	2011 RSP Grant	(199,800)	-	(9,000)	(190,800)
Number of Plan Shares forfeited	2011 RSP Grant*	(37,300)	-	(5,200)	(32,100)
Number of Plan Shares outstanding as at 31 December 2011	2011 RSP Grant	541,100	-	20,700	520,400

For the period from 1 January 2012 to 31 December 2012	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2012 RSP Grant	829,200	270,200	29,200	529,800
	2012 PSP Grant	397,400	59,400	146,000	192,000
	Total	**1,226,600**	**329,600**	**175,200**	**721,800**
Number of Plan Shares vested	2011 RSP Grant	(174,700)	-	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	-	-
	Total	**(424,700)**	**(250,000)**	**(6,600)**	**(168,100)**
Number of Plan Shares forfeited	2011 RSP Grant*	(59,400)	-	(1,700)	(57,700)
	2012 RSP Grant*	(30,500)	-	-	(30,500)
	2012 PSP Grant*	(17,800)	-	(17,800)	-
	Total	**(107,700)**	**-**	**(19,500)**	**(88,200)**
Number of Plan Shares outstanding as at 31 December 2012	2011 RSP Grant	307,000	-	12,400	294,600
	2012 RSP Grant	548,700	20,200	29,200	499,300
	2012 PSP Grant	379,600	59,400	128,200	192,000
	Total	**1,235,300**	**79,600**	**169,800**	**985,900**

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

G. SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2013 to 31 December 2013	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2013 RSP Grant	1,374,700	278,800	100,300	995,600
	2013 PSP Grant	475,000	63,600	200,600	210,800
	Total	**1,849,700**	**342,400**	**300,900**	**1,206,400**
Number of Plan Shares vested	2011 RSP Grant	(154,500)	-	(6,200)	(148,300)
	2012 RSP Grant	(183,500)	(6,800)	(10,000)	(166,700)
	2013 RSP Grant	(250,000)	(250,000)	-	-
	Total	**(588,000)**	**(256,800)**	**(16,200)**	**(315,000)**
Number of Plan Shares forfeited	2011 RSP Grant*	(12,600)	-	-	(12,600)
	2012 RSP Grant*	(33,900)	-	-	(33,900)
	2012 PSP Grant∞	(155,800)	-	(63,400)	(92,400)
	2013 RSP Grant*	(28,500)	-	-	(28,500)
	Total	**(230,800)**	**-**	**(63,400)**	**(167,400)**
Number of Plan Shares outstanding as at 31 December 2013	2011 RSP Grant	139,900	-	6,200	133,700
	2012 RSP Grant	331,300	13,400	19,200	298,700
	2012 PSP Grant	223,800	59,400	64,800	99,600
	2013 RSP Grant	1,096,200	28,800	100,300	967,100
	2013 PSP Grant	475,000	63,600	200,600	210,800
	Total	**2,266,200**	**165,200**	**391,100**	**1,709,900**

Note: ∞A portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2011 to 2013 were not achieved

For the period from 1 January 2014 to 31 December 2014	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2014 RSP Grant	1,478,000	278,800	100,300	1,098,900
	2014 PSP Grant	449,600	63,600	200,600	185,400
	Total	**1,927,600**	**342,400**	**300,900**	**1,284,300**
Number of Plan Shares vested	2011 RSP Grant	(134,800)	-	(4,800)	(130,000)
	2012 RSP Grant	(166,800)	(6,700)	(8,400)	(151,700)
	2013 RSP Grant	(356,400)	(9,600)	(27,600)	(319,200)
	2014 RSP Grant	(250,000)	(250,000)	-	-
	Total	**(908,000)**	**(266,300)**	**(40,800)**	**(600,900)**
Number of Plan Shares forfeited	2011 RSP Grant*	(5,100)	-	(1,400)	(3,700)
	2012 RSP Grant*	(15,900)	-	(2,500)	(13,400)
	2012 PSP Grant*	(8,400)	-	(8,400)	-
	2013 RSP Grant*	(78,700)	-	(17,700)	(61,000)
	2013 PSP Grant*	(35,400)	-	(35,400)	-
	2014 RSP Grant*	(44,700)	-	-	(44,700)
	Total	**(188,200)**	**-**	**(65,400)**	**(122,800)**

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

G. SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2014 to 31 December 2014	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares outstanding as at 31 December 2014	2011 RSP Grant	-	-	-	-
	2012 RSP Grant	148,600	6,700	8,300	133,600
	2012 PSP Grant	215,400	59,400	56,400	99,600
	2013 RSP Grant	661,100	19,200	55,000	586,900
	2013 PSP Grant	439,600	63,600	165,200	210,800
	2014 RSP Grant	1,183,300	28,800	100,300	1,054,200
	2014 PSP Grant	449,600	63,600	200,600	185,400
	Total	**3,097,600**	**241,300**	**585,800**	**2,270,500**

For the period from 1 January 2015 to 31 December 2015	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2015 RSP Grant	1,369,200	269,200	106,200	993,800
	2015 PSP Grant	464,600	42,400	212,400	209,800
	Total	**1,833,800**	**311,600**	**318,600**	**1,203,600**
Number of Plan Shares vested	2012 RSP Grant	(145,700)	(6,700)	(8,300)	(130,700)
	2013 RSP Grant	(322,000)	(9,600)	(27,500)	(284,900)
	2014 RSP Grant	(376,800)	(9,600)	(33,400)	(333,800)
	2015 RSP Grant	(250,000)	(250,000)	-	-
	Total	**(1,094,500)**	**(275,900)**	**(69,200)**	**(749,400)**
Number of Plan Shares forfeited	2012 RSP Grant*	(2,900)	-	-	(2,900)
	2012 PSP Grant▫	(215,400)	(59,400)	(56,400)	(99,600)
	2013 RSP Grant*	(28,900)	-	(3,900)	(25,000)
	2013 PSP Grant*	(23,600)	-	(23,600)	-
	2014 RSP Grant*	(65,200)	-	(7,900)	(57,300)
	2014 PSP Grant*	(23,600)	-	(23,600)	-
	2015 RSP Grant*	(23,200)	-	(11,800)	(11,400)
	2015 PSP Grant*	(23,600)	-	(23,600)	-
	Total	**(406,400)**	**(59,400)**	**(150,800)**	**(196,200)**
Number of Plan Shares outstanding as at 31 December 2015	2012 RSP Grant	-	-	-	-
	2012 PSP Grant	-	-	-	-
	2013 RSP Grant	310,200	9,600	23,600	277,000
	2013 PSP Grant	416,000	63,600	141,600	210,800
	2014 RSP Grant	741,300	19,200	59,000	663,100
	2014 PSP Grant	426,000	63,600	177,000	185,400
	2015 RSP Grant	1,096,000	19,200	94,400	982,400
	2015 PSP Grant	441,000	42,400	188,800	209,800
	Total	**3,430,500**	**217,600**	**684,400**	**2,528,500**

Note: ▫ The remaining portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2012 to 2014 were not achieved.

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

G. SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2016 to 31 December 2016	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2016 RSP Grant	1,317,300	269,200	92,000	956,100
	2016 PSP Grant	312,200	42,400	184,000	85,800
	Total	**1,629,500**	**311,600**	**276,000**	**1,041,900**
Number of Plan Shares vested	2013 RSP Grant	(298,700)	(9,600)	(23,600)	(265,500)
	2013 PSP Grant	(416,000)	(63,600)	(141,600)	(210,800)
	2014 RSP Grant	(350,500)	(9,600)	(29,500)	(311,400)
	2015 RSP Grant	(342,900)	(6,400)	(31,400)	(305,100)
	2016 RSP Grant	(250,000)	(250,000)	-	-
	Total	**(1,658,100)**	**(339,200)**	**(226,100)**	**(1,092,800)**
Number of Plan Shares forfeited	2013 RSP Grant*	(11,500)	-	-	(11,500)
	2014 RSP Grant*	(44,800)	-	-	(44,800)
	2015 RSP Grant*	(68,700)	-	-	(68,700)
	2016 RSP Grant*	(25,900)	-	-	(25,900)
	Total	**(150,900)**	**-**	**-**	**(150,900)**
Number of Plan Shares outstanding as at 31 December 2016	2013 RSP Grant	-	-	-	-
	2013 PSP Grant	-	-	-	-
	2014 RSP Grant	346,000	9,600	29,500	306,900
	2014 PSP Grant	426,000	63,600	177,000	185,400
	2015 RSP Grant	684,400	12,800	63,000	608,600
	2015 PSP Grant	441,000	42,400	188,800	209,800
	2016 RSP Grant	1,041,400	19,200	92,000	930,200
	2016 PSP Grant	312,200	42,400	184,000	85,800
	Total	**3,251,000**	**190,000**	**734,300**	**2,326,700**

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

G. SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2017 to 31 December 2017	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2017 RSP Grant	979,300	269,200	73,100	637,000
	2017 PSP Grant	228,800	42,400	146,200	40,200
	Total	**1,208,100**	**311,600**	**219,300**	**677,200**
Number of Plan Shares vested	2014 RSP Grant	(334,600)	(9,600)	(29,500)	(295,500)
	2015 RSP Grant	(319,400)	(6,400)	(31,400)	(281,600)
	2016 RSP Grant	(324,500)	(6,400)	(30,500)	(287,600)
	2017 RSP Grant	(250,000)	(250,000)	-	-
	Total	**(1,228,500)**	**(272,400)**	**(91,400)**	**(864,700)**
Number of Plan Shares forfeited	2014 RSP Grant*	(11,400)	-	-	(11,400)
	2014 PSP Grant♦	(426,000)	(63,600)	(177,000)	(185,400)
	2015 RSP Grant*	(43,900)	-	(4,000)	(39,900)
	2015 PSP Grant*	(46,200)	-	(23,600)	(22,600)
	2016 RSP Grant*	(86,700)	-	(7,900)	(78,800)
	2016 PSP Grant*	(23,600)	-	(23,600)	-
	2017 RSP Grant*	(49,000)	-	(15,800)	(33,200)
	2017 PSP Grant*	(31,600)	-	(31,600)	-
	Total	**(718,400)**	**(63,600)**	**(283,500)**	**(371,300)**
Number of Plan Shares outstanding as at 31 December 2017	2014 RSP Grant	-	-	-	-
	2014 PSP Grant	-	-	-	-
	2015 RSP Grant	321,100	6,400	27,600	287,100
	2015 PSP Grant	394,800	42,400	165,200	187,200
	2016 RSP Grant	630,200	12,800	53,600	563,800
	2016 PSP Grant	288,600	42,400	160,400	85,800
	2017 RSP Grant	680,300	19,200	57,300	603,800
	2017 PSP Grant	197,200	42,400	114,600	40,200
	Total	**2,512,200**	**165,600**	**578,700**	**1,767,900**

Note: * These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

♦ 2014 PSP Grant was forfeited as the performance targets in respect of performance period from 2014 to 2016 were not achieved.

STATISTICS OF SHAREHOLDINGS
AS AT 31 JANUARY 2019

G. SHARE GRANT PLAN (SGP) (CONT'D.)

For the period from 1 January 2018 to 31 December 2018	Type of Grant	Total	Executive Director/CEO	Senior Management	Other Selected Employees
Number of Plan Shares granted	2018 RSP Grant	1,022,800	19,200	94,400	909,200
	2018 PSP Grant	287,600	42,400	188,800	56,400
	Total	**1,310,400**	**61,600**	**283,200**	**965,600**
Additional number of Plan Shares (when bonus issue takes effect)	2015 RSP Grant	155,350	3,200	11,800	140,350
	2015 PSP Grant	185,600	21,200	70,800	93,600
	2016 RSP Grant	301,800	6,400	22,850	272,550
	2016 PSP Grant	132,500	21,200	68,400	42,900
	2017 RSP Grant	326,150	9,600	24,700	291,850
	2017 PSP Grant	90,700	21,200	49,400	20,100
	Total	**1,192,100**	**82,800**	**247,950**	**861,350**
Number of Plan Shares vested	2015 RSP Grant	(464,550)	(9,600)	(35,400)	(419,550)
	2016 RSP Grant	(442,650)	(9,600)	(34,050)	(399,000)
	2017 RSP Grant	(310,500)	(9,600)	(24,450)	(276,450)
	2018 RSP Grant	(5,700)	-	-	(5,700)
	Total	**(1,223,400)**	**(28,800)**	**(93,900)**	**(1,100,700)**
Number of Plan Shares forfeited	2015 RSP Grant*	(11,900)	-	(4,000)	(7,900)
	2015 PSP Grant♦	(580,400)	(63,600)	(236,000)	(280,800)
	2016 RSP Grant*	(42,050)	-	(13,900)	(28,150)
	2016 PSP Grant*	(59,000)	-	(59,000)	-
	2017 RSP Grant*	(56,800)	-	(15,850)	(40,950)
	2017 PSP Grant*	(39,500)	-	(39,500)	-
	2018 RSP Grant*	(38,500)	-	(11,800)	(26,700)
	2018 PSP Grant*	(23,600)	-	(23,600)	-
	Total	**(851,750)**	**(63,600)**	**(403,650)**	**(384,500)**
Number of Plan Shares outstanding as at 31 December 2018	2015 RSP Grant	-	-	-	-
	2015 PSP Grant	-	-	-	-
	2016 RSP Grant	447,300	9,600	28,500	409,200
	2016 PSP Grant	362,100	63,600	169,800	128,700
	2017 RSP Grant	639,150	19,200	41,700	578,250
	2017 PSP Grant	248,400	63,600	124,500	60,300
	2018 RSP Grant	978,600	19,200	82,600	876,800
	2018 PSP Grant	264,000	42,400	165,200	56,400
	Total	**2,939,550**	**217,600**	**612,300**	**2,109,650**

Note: * These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).
♦ 2015 PSP Grant was forfeited as the performance targets in respect of performance period from 2015 to 2017 were not achieved.

With regard to the Plan Shares granted to the Executive Director/CEO and Senior Management during FY 2018 and since the commencement of the SGP:

(1) The aggregate maximum allocation is 50% of the Maximum Plan Shares Available; and
(2) The actual percentage of Plan Shares granted to them as at 31 December 2018 was 33.32% of the total number of Plan Shares granted.

The Non-Executive Directors are not eligible to participate in the SGP.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

3. RELATED PARTY TRANSACTIONS

An internal compliance framework exists to ensure that Bursa Malaysia meets its obligations under Bursa Malaysia Securities Berhad Main Market Listing Requirements and other applicable guidelines/standards in connection with related party transactions (RPT).

In this respect, the relevant processes and procedures are in place to ensure all transactions including the RPT, are monitored and conducted in a manner that is fair and at arms' length basis, with the terms not more favourable to the related parties than to the public, not to the detriment of minority shareholders and in the best interest of Bursa Malaysia.

A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at Board meetings and/or other meetings of the Company.

FINANCIAL CALENDAR

30 JANUARY 2019	FINANCIAL YEAR 2018	Announcement of the audited consolidated results for the financial year ended 31 December 2018
28 MARCH 2019	42ND	ANNUAL GENERAL MEETING
29 APRIL 2019	1ST QUARTER	Announcement of the consolidated results for the 1st quarter ending 31 March 2019
30 JULY 2019	2ND QUARTER	Announcement of the consolidated results for the 2nd quarter ending 30 June 2019
24 OCTOBER 2019	3RD QUARTER	Announcement of the consolidated results for the 3rd quarter ending 30 September 2019
JANUARY/ FEBRUARY 2020	FINANCIAL YEAR 2019	Announcement of the audited consolidated results for the financial year ending 31 December 2019

SECTION

02

FINANCIAL

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (CA) to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the CA in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shariah-compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. Other information relating to the respective subsidiaries are disclosed in Note 17 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	230,614	232,787
Profit attributable to:		
Owners of the Company	224,042	232,787
Non-controlling interest	6,572	-
	230,614	232,787

There were no material transfers to or from reserves or provisions during the financial year, other than those disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
First single-tier interim dividend of 14.0 sen per share, on 807,475,000 ordinary shares, declared on 30 July 2018 and paid on 29 August 2018	113,046
Single-tier special dividend of 8.0 sen per share, on 807,475,000 ordinary shares, declared on 30 July 2018 and paid on 29 August 2018	64,598
In respect of the financial year ended 31 December 2017, as reported in the Directors' report of that year:	
Second single-tier interim dividend of 18.5 sen per share, on 537,501,000 ordinary shares, approved on 5 February 2018 and paid on 5 March 2018	99,438
Total dividends paid since 31 December 2017	277,082

DIRECTORS' REPORT

DIVIDENDS (CONT'D.)

On 30 January 2019, the Board of Directors approved and declared a second single-tier interim dividend of 11.6 sen per share in respect of the financial year ended 31 December 2018. The dividend amounting to approximately RM93,667,000 will be payable on 28 February 2019. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the current financial year to the date of this report are:

Tan Sri Amirsham bin A Aziz
Datuk Seri Tajuddin bin Atan
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Datuk Chay Wai Leong
Ghazali bin Haji Darman
Pushpanathan a/l S.A. Kanagarayar
Johari bin Abdul Muid
Datin Mariam Prudence binti Yusof
Datin Grace Yeoh Cheng Geok
Chong Chye Neo (appointed on 21 December 2018)

On 19 December 2018, the Company announced that Datuk Seri Tajuddin bin Atan will retire as the Director of the Company, and Datuk Muhamad Umar Swift will be appointed as the Director of the Company, both effective on 11 February 2019.

On 30 January 2019, the Company announced that Tan Sri Amirsham bin A Aziz will retire as the Director of the Company, and Datuk Shireen Ann Zaharah binti Muhiudeen will be appointed as the Director of the Company, both effective on 1 March 2019.

The names of the directors of the Company's subsidiaries in office since the beginning of the current financial year to the date of this report are:

Datuk Seri Tajuddin bin Atan
Datuk Chay Wai Leong
Johari bin Abdul Muid
Datin Mariam Prudence binti Yusof
Datin Grace Yeoh Cheng Geok
William Francis Herder
Kuok Wee Kiat @ Kuck Wee Kiat
Mazidah binti Abdul Malik
Christopher Lee Fix
Rosidah binti Baharom

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares awarded under the Share Grant Plan (SGP).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM55,000,000 and RM74,885 respectively.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2018 '000	Bonus issue '000	Shares vested under the SGP '000	At 31.12.2018 '000
Direct interests				
Datuk Seri Tajuddin bin Atan	909	455	29	1,393
Datin Mariam Prudence binti Yusof	19	10	-	29

	Number of ordinary shares granted under the SGP					
	1.1.2018 '000	Bonus issue '000	Granted '000	Vested '000	Forfeited '000	31.12.2018 '000
Datuk Seri Tajuddin bin Atan	166	83	62	(29)	(64)	218

Other than the above, the Directors in office at the end of the financial year did not have any interest in shares of the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from 537,501,000 ordinary shares to 807,475,000 ordinary shares by way of:

(a) a bonus issue of 268,750,000 new ordinary shares, credited as fully paid-up share capital on the basis of one new ordinary share for every two existing ordinary shares through capitalisation of the share premium and retained earnings of the Company of RM119,052,000 and RM15,323,000 respectively.

(b) issuance of 1,224,000 new ordinary shares amounting to RM6,650,000 arising from the Company's SGP, as disclosed in Note 30(b) to the financial statements.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

SHARE GRANT PLAN

The Company's SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is made up of two plans - the Restricted Share Plan (RSP) and the Performance Share Plan (PSP). The SGP will be in force for a maximum period of ten years from the date of implementation.

The salient features, terms and details of the SGP are as disclosed in Note 30(b) to the financial statements.

During the financial year, the Company granted 1,023,000 ordinary shares under the RSP and 288,000 ordinary shares under the PSP to its eligible employees. The details of the shares granted under the SGP and its vesting conditions are disclosed in Note 30(b) to the financial statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 42 to the financial statements.

DIRECTORS' REPORT

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2019.

Tan Sri Amirsham bin A Aziz

Datuk Seri Tajuddin bin Atan

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Amirsham bin A Aziz and Datuk Seri Tajuddin bin Atan, being two of the Directors of Bursa Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 57 to 144 are drawn up in accordance with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2019.

Tan Sri Amirsham bin A Aziz

Datuk Seri Tajuddin bin Atan

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Rosidah binti Baharom, being the Officer primarily responsible for the financial management of Bursa Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 57 to 144 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Rosidah binti Baharom
at Kuala Lumpur in the Federal Territory
on 30 January 2019.

Rosidah binti Baharom

Before me,

PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
1.1.2019 hingga
31.12.2021
MALAYSIA

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURSA MALAYSIA BERHAD

(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bursa Malaysia Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matters below, our description of how our audit addressed the matters are provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BURSA MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Description	Responses
The risk that (i) goodwill and (ii) investment in subsidiaries may be impaired. (i) Goodwill The Group's and Company's goodwill balances as at 31 December 2018 stood at RM42,957,000 and RM29,494,000, respectively. (ii) Investment in subsidiaries As at 31 December 2018, the carrying amount of investment in subsidiaries in the statement of financial position of the Company stood at RM153,965,000. On an annual basis, management is required to perform impairment assessments for goodwill and investment in subsidiaries with impairment indicators. These assessments are significant to our audit as they involve significant management judgement and are based on assumptions that are affected by expected future market and economic conditions. This risk is also described in Note 2.5 to the financial statements.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Company in performing the impairment assessments. We examined the cash flow forecasts which support management's impairment assessments. We evaluated the evidence supporting the underlying assumptions in those forecasts, by comparing revenue and expenses to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations. We tested the weighted-average cost of capital discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business. We performed sensitivity analyses on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value. We also reviewed the adequacy of the Group's and the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining other information expected to be included in the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BURSA MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Information other than the financial statements and auditors' report thereon (cont'd.)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information expected to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BURSA MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 03083/07/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 January 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	3	**523,291**	522,080	**424,940**	405,414
Other income	4	**26,713**	34,752	**10,695**	19,112
		550,004	556,832	**435,635**	424,526
Staff costs	5	**(135,293)**	(137,525)	**(128,877)**	(131,695)
Depreciation and amortisation	6	**(21,970)**	(23,800)	**(20,280)**	(22,097)
Other operating expenses	7	**(84,032)**	(89,089)	**(54,485)**	(56,002)
Profit from operations		**308,709**	306,418	**231,993**	214,732
Finance costs	8	**(534)**	(535)	**(534)**	(535)
Profit before tax		**308,175**	305,883	**231,459**	214,197
Taxation	10	**(77,561)**	(75,674)	**1,328**	3,074
Profit for the year		**230,614**	230,209	**232,787**	217,271
Profit attributable to:					
Owners of the Company		**224,042**	223,040	**232,787**	217,271
Non-controlling interest		**6,572**	7,169	**-**	-
		230,614	230,209	**232,787**	217,271
Earnings per share attributable to owners of the Company (sen per share):					
Basic	11(a)	**27.8**	27.7		
Diluted	11(b)	**27.7**	27.6		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the year	**230,614**	230,209	**232,787**	217,271
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Gain/(Loss) on foreign currency translation	**74**	(329)	**-**	-
Net fair value changes in unquoted bonds at fair value through other comprehensive income (FVTOCI)	**21**	36	**-**	-
Income tax effects relating to unquoted bonds at FVTOCI (Note 20)	**(23)**	(16)	**-**	-
	72	(309)	**-**	-
Items that will not be subsequently reclassified to profit or loss:				
Actuarial gain on defined benefit obligations (Note 30(a))	**246**	350	**246**	350
Net fair value changes in quoted shares at FVTOCI	**71,187**	29,155	**71,187**	29,155
Income tax effects relating to actuarial gain on defined benefit obligations (Note 20)	**(59)**	(84)	**(59)**	(84)
	71,374	29,421	**71,374**	29,421
Total other comprehensive income for the year, net of income tax	**71,446**	29,112	**71,374**	29,421
Total comprehensive income for the year	**302,060**	259,321	**304,161**	246,692
Total comprehensive income attributable to:				
Owners of the Company	**295,488**	252,152	**304,161**	246,692
Non-controlling interest	**6,572**	7,169	**-**	-
	302,060	259,321	**304,161**	246,692

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	**171,424**	179,298	**171,418**	179,274
Computer software	14	**40,347**	40,841	**34,123**	33,071
Right-of-use assets	15(a)	**8,296**	8,407	**8,296**	8,407
Goodwill	16	**42,957**	42,957	**29,494**	29,494
Investment in subsidiaries	17	**-**	-	**153,965**	153,965
Investment securities	18	**338,140**	281,779	**297,993**	226,806
Staff loans receivable	19	**2,287**	2,918	**1,935**	2,558
Deferred tax assets	20	**7,455**	6,747	**5,049**	3,691
		610,906	562,947	**702,273**	637,266
Current assets					
Trade receivables	21	**38,600**	47,218	**1,808**	1,788
Other receivables	22	**18,572**	15,964	**14,345**	11,328
Amount due from subsidiaries	23	**-**	-	**12,331**	20,209
Tax recoverable		**2,961**	4,352	**2,478**	2,917
Investment securities	18	**34,935**	25,039	**4,923**	-
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	24	**1,375,995**	1,168,526	**-**	-
Cash and bank balances of Clearing Funds	25	**129,806**	129,628	**-**	-
Cash and bank balances of the Group/Company	26	**222,785**	271,207	**44,408**	88,066
		1,823,654	1,661,934	**80,293**	124,308
Total assets		**2,434,560**	2,224,881	**782,566**	761,574

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Equity and liabilities					
Equity					
Share capital	27	**424,142**	402,169	**418,892**	396,919
Other reserves	28	**251,311**	179,938	**220,466**	149,165
Retained earnings	29	**199,705**	267,881	**46,085**	105,516
Equity attributable to owners of the Company		**875,158**	849,988	**685,443**	651,600
Non-controlling interest		**12,291**	12,469	**-**	-
Total equity		**887,449**	862,457	**685,443**	651,600
Non-current liabilities					
Retirement benefit obligations	30(a)	**18,082**	21,860	**18,082**	21,860
Deferred grants	31	**2,805**	2,038	**1,871**	972
Lease liabilities	15(b)	**7,466**	7,470	**7,466**	7,470
Deferred tax liabilities	20	**1,388**	1,729	**-**	-
		29,741	33,097	**27,419**	30,302
Current liabilities					
Trade payables	24(a)	**1,375,955**	1,166,024	**-**	-
Participants' contribution to Clearing Funds	25	**39,806**	39,628	**-**	-
Other payables	32	**97,498**	115,989	**69,199**	79,167
Lease liabilities	15(b)	**505**	505	**505**	505
Tax payable		**3,606**	7,181	**-**	-
		1,517,370	1,329,327	**69,704**	79,672
Total liabilities		**1,547,111**	1,362,424	**97,123**	109,974
Total equity and liabilities		**2,434,560**	2,224,881	**782,566**	761,574

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company								
		Non-distributable					Distributable			
Group	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Share grant reserve RM'000	Clearing fund reserves RM'000	FVTOCI reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2018		**402,169**	**531**	**6,849**	**30,000**	**142,558**	**267,881**	**849,988**	**12,469**	**862,457**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**224,042**	**224,042**	**6,572**	**230,614**
Other comprehensive income for the year		**-**	**74**	**-**	**-**	**71,185**	**187**	**71,446**	**-**	**71,446**
Total comprehensive income for the year		**-**	**74**	**-**	**-**	**71,185**	**224,229**	**295,488**	**6,572**	**302,060**
Transactions with owners of the Company:										
Issuance of ordinary shares pursuant to:										
- bonus issue	27	**15,323**	**-**	**-**	**-**	**-**	**(15,323)**	**-**	**-**	**-**
- share grant plan (SGP)	27	**6,650**	**-**	**(6,650)**	**-**	**-**	**-**	**-**	**-**	**-**
SGP expense **(Note a)**	5	**-**	**-**	**6,764**	**-**	**-**	**-**	**6,764**	**-**	**6,764**
Dividends paid	12	**-**	**-**	**-**	**-**	**-**	**(277,082)**	**(277,082)**	**-**	**(277,082)**
Dividends paid to non-controlling interest	17(b)(ii)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,750)**	**(6,750)**
Total transactions with owners of the Company		**21,973**	**-**	**114**	**-**	**-**	**(292,405)**	**(270,318)**	**(6,750)**	**(277,068)**
At 31 December 2018		**424,142**	**605**	**6,963**	**30,000**	**213,743**	**199,705**	**875,158**	**12,291**	**887,449**

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company										
		Non-distributable							Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital redemption reserve RM'000**	**Foreign currency translation reserve RM'000**	**Share grant reserve RM'000**	**Clearing fund reserves RM'000**	**FVTOCI reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2017		268,136	119,052	5,250	860	8,350	30,000	113,383	323,909	868,940	18,300	887,240
Adjustments for effects of Companies Act 2016	27	124,302	(119,052)	(5,250)	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	223,040	223,040	7,169	230,209
Other comprehensive income for the year		-	-	-	(329)	-	-	29,175	266	29,112	-	29,112
Total comprehensive income for the year		-	-	-	(329)	-	-	29,175	223,306	252,152	7,169	259,321
Transactions with owners of the Company:												
Issuance of ordinary shares pursuant to SGP	27	9,731	-	-	-	(9,731)	-	-	-	-	-	-
SGP expense **(Note a)**	5	-	-	-	-	8,230	-	-	-	8,230	-	8,230
Dividends paid	12	-	-	-	-	-	-	-	(279,334)	(279,334)	-	(279,334)
Dividends paid to non-controlling interest	17(b)(ii)	-	-	-	-	-	-	-	-	-	(13,000)	(13,000)
Total transactions with owners of the Company		9,731	-	-	-	(1,501)	-	-	(279,334)	(271,104)	(13,000)	(284,104)
At 31 December 2017		402,169	-	-	531	6,849	30,000	142,558	267,881	849,988	12,469	862,457

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Non-distributable				Distributable	
Company	Note	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	FVTOCI reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018		**396,919**	**-**	**6,849**	**142,316**	**105,516**	**651,600**
Profit for the year		**-**	**-**	**-**	**-**	**232,787**	**232,787**
Other comprehensive income for the year		**-**	**-**	**-**	**71,187**	**187**	**71,374**
Total comprehensive income for the year		**-**	**-**	**-**	**71,187**	**232,974**	**304,161**
Transactions with owners of the Company:							
Issuance of ordinary shares pursuant to:							
- bonus issue	27	**15,323**	**-**	**-**	**-**	**(15,323)**	**-**
- SGP	30(b)	**6,650**	**-**	**(6,650)**	**-**	**-**	**-**
SGP expense **(Note a)**		**-**	**-**	**6,764**	**-**	**-**	**6,764**
Dividends paid	12	**-**	**-**	**-**	**-**	**(277,082)**	**(277,082)**
Total transactions with owners of the Company		**21,973**	**-**	**114**	**-**	**(292,405)**	**(270,318)**
At 31 December 2018		**418,892**	**-**	**6,963**	**213,503**	**46,085**	**685,443**
At 1 January 2017		268,136	119,052	8,350	113,161	167,313	676,012
Adjustments for effects of Companies Act 2016	27	119,052	(119,052)	-	-	-	-
Profit for the year		-	-	-	-	217,271	217,271
Other comprehensive income for the year		-	-	-	29,155	266	29,421
Total comprehensive income for the year		-	-	-	29,155	217,537	246,692
Transactions with owners of the Company:							
Issuance of ordinary shares pursuant to SGP	27	9,731	-	(9,731)	-	-	-
SGP expense **(Note a)**		-	-	8,230	-	-	8,230
Dividends paid	12	-	-	-	-	(279,334)	(279,334)
Total transactions with owners of the Company		9,731	-	(1,501)	-	(279,334)	(271,104)
At 31 December 2017		396,919	-	6,849	142,316	105,516	651,600

Note a
SGP expense comprises RM6,477,000 (2017: RM8,033,000) relating to shares granted to the employees of the Company (as disclosed in Note 5) and RM287,000 (2017: RM197,000) relating to shares granted to the employees of Bursa Malaysia Derivatives Berhad.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		**308,175**	305,883	**231,459**	214,197
Adjustments for:					
Amortisation of premiums/(accretion of discount), net	7	**2**	(10)	**-**	-
Depreciation and amortisation	6	**21,970**	23,800	**20,280**	22,097
Dividend income from investment securities	4	**(4,960)**	(6,852)	**(4,960)**	(6,852)
Grant income	4	**(1,338)**	(1,559)	**(1,206)**	(1,428)
Gross dividend income from subsidiaries	3	**-**	-	**(252,399)**	(236,673)
Interest expense on lease liabilities	8	**534**	535	**534**	535
Interest income	4	**(18,313)**	(19,309)	**(2,427)**	(3,851)
Lease of equipment	7	**214**	194	**205**	184
Net gain on disposal of:					
- unquoted bonds	4	**-**	(25)	**-**	-
- motor vehicle	4	**(68)**	-	**(68)**	-
Net (reversal of impairment loss)/ impairment loss on:					
- investment in subsidiaries	7	**-**	-	**-**	(1,823)
- investment securities	7	**(104)**	(207)	**23**	-
- trade and other receivables	7	**429**	1,582	**39**	1,275
- amount due from a subsidiary	7	**-**	-	**7**	12
Provision for short-term accumulating compensated unutilised leave	5	**173**	154	**153**	146
Retirement benefit obligations	5	**989**	1,174	**989**	1,174
SGP expense	5	**6,764**	8,230	**6,477**	8,033
Unrealised loss/(gain) on foreign exchange differences		**8**	23	**(60)**	119
Operating profit/(loss) before working capital changes		**314,475**	313,613	**(954)**	(2,855)
(Increase)/Decrease in receivables		**2,162**	1,836	**(6,006)**	5,930
Increase/(Decrease) in payables		**(16,799)**	11,038	**(11,142)**	13,280
Changes in amount due from subsidiaries		**-**	-	**8,158**	(3,105)
Cash generated from/(used in) operations		**299,838**	326,487	**(9,944)**	13,250
Interest paid		**(534)**	(535)	**(534)**	(535)
Repayment on lease of equipment		**(214)**	(194)	**(205)**	(184)
Staff loans repaid, net of disbursements		**595**	520	**554**	477
Retirement benefits paid		**(4,521)**	(4,043)	**(4,521)**	(4,043)
Net tax (paid)/refunded		**(80,875)**	(76,628)	**350**	(234)
Net cash from/(used in) operating activities		**214,289**	245,607	**(14,300)**	8,731

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from investing activities					
Dividends received		**7,247**	5,828	**259,646**	242,501
(Increase)/Decrease in deposits not for short-term funding requirements		**(31,750)**	68,503	**(418)**	52,914
Interest received		**19,502**	20,708	**3,162**	4,697
Proceeds from disposal of:					
- investment securities		**30,000**	39,739	**5,000**	-
- motor vehicle		**68**	-	**68**	-
Purchases of:					
- investment securities		**(24,910)**	(44,997)	**(9,909)**	-
- property, plant and equipment and computer software		**(12,959)**	(9,124)	**(12,344)**	(8,986)
Net cash (used in)/from investing activities		**(12,802)**	80,657	**245,205**	291,126
Cash flows from financing activities					
Dividends paid	12	**(277,082)**	(279,334)	**(277,082)**	(279,334)
Dividends paid by a subsidiary to non-controlling interest		**(6,750)**	(13,000)	**-**	-
Grant received		**2,105**	505	**2,105**	505
Repayment on lease liabilities		**(4)**	(4)	**(4)**	(4)
Net cash used in financing activities		**(281,731)**	(291,833)	**(274,981)**	(278,833)
Net (decrease)/increase in cash and cash equivalents		**(80,244)**	34,431	**(44,076)**	21,024
Effect of exchange rate changes		**72**	(347)	**-**	-
Cash and cash equivalents at beginning of year		**248,132**	214,048	**73,305**	52,281
Cash and cash equivalents at end of year	26(a)	**167,960**	248,132	**29,229**	73,305

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at the 15th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur, Malaysia.

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries. The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shariah-compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. Other information relating to the respective subsidiaries are disclosed in Note 17.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 30 January 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) as issued by the Malaysian Accounting Standards Board (MASB), the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2016 in Malaysia.

The financial statements, other than for certain financial instruments and retirement benefit obligations, have been prepared on a historical cost basis. Certain financial instruments are measured at fair value in accordance with MFRS 9 *Financial Instruments*, and the retirement benefit obligations, including actuarial gains and losses are measured in accordance with MFRS 119 *Employee Benefits*.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000 or '000), unless otherwise indicated.

2.2 Changes in accounting policies and disclosures

At the beginning of the financial year, the Group and the Company early adopted the following Standards, Amendments to Standards, Annual Improvements to Standards and Issues Committee (IC) Interpretations:

Effective for financial periods beginning on or after 1 January 2019

Amendments to MFRS 9 Financial Instruments - *Prepayment Features with Negative Compensation*
Amendments to MFRS 119 Employee Benefits - *Plan Amendment, Curtailment or Settlement*
Amendments to MFRS 128 Investments in Associates and Joint Ventures - *Long-term Interests in Associates and Joint Ventures*
Annual Improvements to MFRS Standards 2015 - 2017 Cycle:

- Amendments to MFRS 3 Business Combinations - *Previously held interest in a joint operation*
- Amendments to MFRS 11 Joint Arrangements - *Previously held interest in a joint operation*
- Amendments to MFRS 112 Income Taxes - *Income tax consequences of payments on financial instruments classified as equity*
- Amendments to MFRS 123 Borrowing Costs - *Borrowing costs eligible for capitalisation*

IC Interpretation 23 Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

Effective for financial periods beginning on or after 1 January 2020

Conceptual Framework in MFRS Standards:
- Amendments to MFRS 2 Share-based Payment
- Amendment to MFRS 3 Business Combinations
- Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 101 Presentation of Financial Statements
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134 Interim Financial Reporting
- Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138 Intangible Assets
- Amendments to IC Interpretation 12 Service Concession Arrangements
- Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group and of the Company.

IFRS 15 *Revenue from Contracts with Customers* - Assessment of promised goods or services

In September 2018, the IFRS Interpretations Committee (IFRIC) issued a clarification guidance on the recognition of non-refundable upfront fee charged by a stock exchange for admission and initial listing services. The IFRIC concluded, in its meeting on 16 January 2019, that a stock exchange does not promise to transfer any service to the customer other than the service of being listed on the exchange. In view of this, the Group now recognises revenue from initial listing services over a period when the services are provided. Prior to the application of the IFRIC's conclusion, the Group recognised initial listing fees from initial public offerings at a point in time upon the listing of an applicant's securities. The Group has assessed that the impact of the IFRIC's conclusion on the Group's financial statements including its retrospective application to be immaterial.

2.3 Standards issued but not yet effective

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3 Business Combinations - *Definition of a Business*
Amendments to MFRS 101 Presentation of Financial Statements - *Definition of Material*
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Material*

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective (cont'd.)

Effective dates of these Amendments to Standards have been deferred, and yet to be announced

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group and of the Company.

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events of similar circumstances.

Subsidiaries are consolidated from the date on which control exists. They are deconsolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves. The consolidated financial statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 2.4(c)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(iii) Transactions with non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from the equity of the owners of the Company. Transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

(b) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Subsequent to the initial recognition, costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss as incurred.

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Projects-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and office lots	Fifty years
Renovation	Five years
Office equipment, furniture and fittings	Three to five years
Computers and office automation	Three to ten years
Motor vehicles	Five years

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Property, plant and equipment and depreciation (cont'd.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(c) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's and of the Company's Cash-Generating Units (CGUs) that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

(ii) Computer software

Computer software is initially measured at cost. Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of computer software are assessed to be finite. Computer software are amortised over their estimated useful lives of five to ten years and assessed for impairment whenever there is an indication that they may be impaired.

The amortisation period and method are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss. Projects-in-progress are not amortised as these computer software are not yet available for use.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Leases

(i) The Group and the Company as lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group and the Company; and
- an estimate of costs to be incurred by the Group and the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets.

If the lease transfers ownership of the underlying asset to the Group and to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the Group and the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and the Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's and the Company's incremental borrowing rate. Subsequent to the initial recognition, the Group and the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(ii) The Group and the Company as lessor

The Group and the Company classified its leases as either operating leases or finance leases. Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group and the Company transfer substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Impairment of non-financial assets

The Group and the Company assess at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill and computer software that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, in which case, the carrying amount of the asset is increased to its revised recoverable amount. The increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(f) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss (FVTPL), directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

The Group and the Company determine the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

(ii) Financial assets measured subsequently at fair value

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group and Company do not have any financial assets measured at FVTPL as at the financial year end.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group and the Company had elected an irrevocable option to designate its equity instruments (i.e. quoted shares outside Malaysia) at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group and the Company.

(g) Impairment of financial assets

At each financial year end, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring as at the financial year end with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and to the Company and all the cash flows that the Group and the Company expect to receive.

The Group and the Company measure the allowance for impairment loss on unquoted bonds, staff loans receivable and cash and bank balances based on the two-step approach as follows:

(i) 12-months expected credit loss

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company measure the allowance for impairment loss for that financial asset at an amount based on the probability of default occuring within the next 12 months considering the loss given default of that financial asset.

(ii) Lifetime expected credit loss

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime expected credit loss for that financial asset is recognised as the allowance for impairment loss by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company revert the allowance for impairment loss measurement from lifetime expected credit loss to 12-months expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets (cont'd.)

For trade and other receivables which are financial assets, the Group and the Company apply the simplified approach in accordance with MFRS 9 *Financial Instruments* and measure the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, and short-term deposits used by the Group and the Company in the management of short-term funding requirements of their operations.

(i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company do not have any financial liabilities at FVTPL as at the financial year end.

(ii) Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(i) Financial liabilities (cont'd.)

A financial liability is derecognised when the obligation under the liability is extinguished.

When an existing financial liability is replaced by another instrument from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(j) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

(k) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(l) Deferred grants

Grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all conditions will be met. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised in the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by its related depreciation or amortisation charges.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs, and are classified as equity. Dividends on ordinary shares are recognised in equity in the periods in which they are declared.

(n) Revenue recognition

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of information based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Revenue recognition (cont'd.)

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(i) Trade fees

Trade fees on securities traded on the securities exchange are recognised on a trade date basis. Trade fees on derivatives contracts are recognised net of rebates on a trade date basis. Trade fees on commodities are recognised on a trade date basis net of amount payable to commodities suppliers and brokers, whenever applicable.

(ii) Clearing fees

Fees for clearing and settlement between clearing participants for trades in securities transacted on the securities exchange are recognised net of the Securities Commission levy when services are rendered. Clearing fees on derivatives contracts are recognised net of rebates on the clearing date.

(iii) Other securities trading revenue

Other securities trading revenue mainly comprise Institutional Settlement Services (ISS) fees. ISS fees from the securities exchange are recognised in full when services are rendered at the point in time.

(iv) Other derivatives trading revenue

Other derivatives trading revenue mainly comprise collateral management services fees, guarantee fees and tender fees. Collateral management services fees are recognised on an accrual basis. Guarantee fees are recognised on a daily basis on day end margin requirements for open contracts. Tender fees are recognised on per contract tendered.

(v) Listing and issuer services

Listing and issuer services revenue comprise:

- **Initial listing fees**

  In the previous financial years, the Group recognised initial listing fees for Initial Public Offering (IPO) exercises upon the listing of an applicant's securities at a point in time. During the current financial year, the Group changed the accounting policy whereby the initial listing fees are recognised over a period of time when the services are rendered. This was pursuant to the IFRIC's conclusion on 16 January 2019 as disclosed in Note 2.2.

- **Other listing fees**

  Annual and additional listing fees are recognised when the services are rendered.

- **Issuer services fees**

  Perusal fees for circulars or notices issued are recognised when the services are rendered at a point in time. Processing fees for corporate related exercises on securities traded on the securities exchange are recognised when the related services are rendered.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Revenue recognition (cont'd.)

(vi) Depository services

Fees from depository services are recognised when the services are rendered.

(vii) Market data

Fees from sale of information are recognised when the services are rendered.

(viii) Member services and connectivity

Member services and connectivity mainly comprise:

- **Access fees**

  Access fees are recognised over the period that access to the required services is being provided.

- **Participants' fees**

  Initial application fees are recognised upon registration or admission into the securities or derivatives exchange. Annual subscription fees are recognised on an accrual basis.

- **Broker services**

  Fees from broker services are recognised when the services are rendered.

(ix) Other operating revenue

Other operating revenue represents conference fees and exhibition-related income and are recognised when the events are held.

(x) Other income

- Accretion of discounts and amortisation of premiums on investments are recognised on an effective yield basis.
- Dividend income is recognised when the right to receive payment is established.
- Interest income is recognised on an accrual basis that reflects the effective yield of the asset.
- Management fees are recognised when services are rendered.
- Rental income from the letting of office space and equipment is recognised on a straight-line basis over the term of the rental agreement.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as a liability when they accrue to the employees. The estimated liability for paid annual leave is recognised for services rendered by employees up to the reporting date. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the period in which the related service is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

(iii) Defined benefit plan

The Group and the Company operate a funded, defined benefit retirement scheme (the Scheme) for its eligible employees. The Scheme was closed to new entrants effective 1 September 2003.

The Group's and the Company's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by an independent actuary, through which the amount of benefit that employees have earned in return for their services up to 1 September 2003 is estimated.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Net interest is recognised in profit or loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

(iv) Share-based compensation

The Company's SGP (implemented on 18 April 2011), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled to ordinary shares of the Company. The total fair value of shares granted to employees are recognised as an employee cost with a corresponding increase in the share grant reserve within equity over the vesting period while taking into account the probability that the shares will vest. The fair value of shares are measured at grant date, taking into account, if any, the market vesting conditions upon which the shares were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions in respect of the number of shares that are expected to be granted on vesting date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Employee benefits (cont'd.)

(iv) Share-based compensation (cont'd.)

At each financial year end, the Group and the Company revise the estimate of the number of shares that are expected to be granted on vesting date. The impact of revision of original estimates, if any, is recognised in profit or loss, and a corresponding adjustment made to equity over the remaining vesting period. The equity amount is recognised in the share grant reserve.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds and lease liabilities.

(q) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the financial year end.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Foreign currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each financial year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the dates when the fair value was determined.

Exchange differences arising from the settlement of monetary items, or on translating monetary items at the financial year end are recognised in profit or loss, except exchange differences arising on monetary items that form part of the Group's net investment in foreign operations which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising from the translation of non-monetary items carried at fair value are not included in profit or loss for the period until their impairment or disposal.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Foreign currency (cont'd.)

(iii) Subsidiary with foreign currency as its functional currency

The results and financial position of a subsidiary that has a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the financial year end;
- Income and expenses for each statement of comprehensive income or separate statement of profit or loss presented are translated at average monthly exchange rates, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised directly in other comprehensive income. On disposal of a subsidiary with foreign currency as its functional currency, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular subsidiary is recognised in profit or loss.

(s) Contingencies

A contingent liability or asset is a possible obligation or benefit that arises from past events, and the existence of which will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

There are no contingent liabilities and assets recognised in the statements of financial position of the Group and of the Company in the current and previous financial years.

2.5 Significant accounting judgements and estimates

Key sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(a) Impairment of computer hardware, computer software, right-of-use assets and investment in subsidiaries

The Group and the Company review its computer hardware, computer software, right-of-use assets and investment in subsidiaries at each financial year end to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. The Group and the Company carry out the impairment test based on a variety of estimations including value-in-use of the CGUs to which the computer hardware, computer software, right-of-use assets and investment in subsidiaries are allocated to. Estimating the value-in-use requires the Group and the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of computer hardware, computer software, right-of-use assets and investment in subsidiaries as at the financial year end are disclosed in Notes 13, 14, 15(a) and 17 respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements and estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

(b) Impairment of goodwill

The Group and the Company determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires the Group and the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 16.

(c) Impairment of investment securities - debt securities

Investment securities - debt securities are reviewed and assessed at each financial year end on whether there is sufficient allowance for impairment loss provided.

The impairment review shall determine whether there is significant increase in credit risk since initial recognition of the investment securities - debt securities, such as from deterioration of the credit quality of the issuers or obligors and significant financial difficulties of the issuers or obligors.

The carrying amount of investment securities - debt securities as at the financial year end is disclosed in Note 18.

(d) Depreciation/amortisation of computer hardware, computer software and right-of-use assets

The cost of computer hardware, computer software and right-of-use assets is depreciated and amortised on a straight-line basis over the assets' useful lives. The Group and the Company estimate the useful lives of these assets to be between three to ten years. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised. The carrying amounts of computer hardware, computer software and right-of-use assets as at the financial year end are disclosed in Notes 13, 14 and 15(a) respectively.

(e) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unused capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances can be utilised. Significant judgement is required to determine the amounts of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The unutilised tax losses and unused capital allowances as at the financial year end are disclosed in Note 20.

(f) Defined benefit plan

The cost of the defined benefit plan and the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of salary increases and mortality rates. All assumptions are reviewed at each financial year end.

In determining the appropriate discount rate, the valuation is based on market yield of high quality corporate bonds with AA rating and above with terms similar to the terms of the liabilities.

(g) Share grant plan

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the dates on which they are granted. Estimating the fair value of the share-based payment transactions requires the determination of the appropriate valuation model and the inputs (for example, expected volatility of the share price and/or dividend yield) to the valuation model. The key assumptions are disclosed in Note 30(b).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

3. OPERATING REVENUE

	Group 2018 RM'000	Group 2017 RM'000
Trade fees	**28,968**	28,117
Clearing fees **(Note a)**	**211,592**	209,043
Others	**25,249**	22,457
Total Securities trading revenue	**265,809**	259,617
Trade fees	**42,828**	46,098
Clearing fees	**17,238**	18,299
Others	**16,629**	16,152
Total Derivatives trading revenue	**76,695**	80,549
Bursa Suq Al-Sila (BSAS) trading revenue	**14,932**	15,825
Listing and issuer services	**60,112**	61,775
Depository services	**42,170**	42,376
Market data	**36,208**	34,524
Member services and connectivity	**21,835**	21,408
Conference fees and exhibition-related income	**5,530**	6,006
	180,787	181,914
Total operating revenue **(Note b)**	**523,291**	522,080

	Company 2018 RM'000	Company 2017 RM'000
Broker services	**7,652**	7,529
Income from subsidiaries (Note 36(a)):		
- dividends	**252,399**	236,673
- management fees	**148,788**	143,438
- office space rental	**4,740**	4,718
- lease of computer equipment	**11,361**	13,056
Total operating revenue **(Note c)**	**424,940**	405,414

Note a

Securities clearing fees of the Group are stated net of the amount paid and payable to the Securities Commission of RM56,795,000 (2017: RM55,254,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

3. OPERATING REVENUE (CONT'D.)

Note b

The following tables illustrate the Group's revenue as disaggregated by major services or products and provide a reconciliation of the disaggregated revenue with the Group's four major market segments as disclosed in Note 43. The table also includes the timing of revenue recognition.

2018	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
Major services or products:					
Securities trading revenue	**265,809**	**-**	**-**	**-**	**265,809**
Derivatives trading revenue	**-**	**76,695**	**-**	**-**	**76,695**
BSAS trading revenue	**-**	**-**	**-**	**14,932**	**14,932**
Listing and issuer services	**59,980**	**-**	**-**	**132**	**60,112**
Depository services	**42,170**	**-**	**-**	**-**	**42,170**
Market data	**27,589**	**8,389**	**-**	**230**	**36,208**
Member services and connectivity	**13,917**	**155**	**7,652**	**111**	**21,835**
Conferences fee and exhibition-related income	**-**	**5,530**	**-**	**-**	**5,530**
	409,465	**90,769**	**7,652**	**15,405**	**523,291**
Timing of revenue recognition:					
- at a point in time	**356,230**	**86,180**	**-**	**15,086**	**457,496**
- over time	**53,235**	**4,589**	**7,652**	**319**	**65,795**
	409,465	**90,769**	**7,652**	**15,405**	**523,291**

2017	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
Major services or products:					
Securities trading revenue	259,617	-	-	-	259,617
Derivatives trading revenue	-	80,549	-	-	80,549
BSAS trading revenue	-	-	-	15,825	15,825
Listing and issuer services	61,611	-	-	164	61,775
Depository services	42,376	-	-	-	42,376
Market data	26,137	8,146	-	241	34,524
Member services and connectivity	13,576	160	7,529	143	21,408
Conferences fee and exhibition-related income	-	6,006	-	-	6,006
	403,317	94,861	7,529	16,373	522,080
Timing of revenue recognition:					
- at a point in time	353,278	90,786	-	16,034	460,098
- over time	50,039	4,075	7,529	339	61,982
	403,317	94,861	7,529	16,373	522,080

Note c

The Company recognises its revenue upon satisfaction of performance obligations and all revenue are recognised over time, except for dividends from subsidiaries which are recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

4. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income from:				
- deposits with licensed financial institutions	**14,819**	15,408	**2,263**	3,720
- investment securities	**3,383**	3,760	**60**	-
- others	**111**	141	**104**	131
Dividend income	**4,960**	6,852	**4,960**	6,852
Grant income (Note 31)	**1,338**	1,559	**1,206**	1,428
Net gain on disposal of:				
- unquoted bonds	**-**	25	**-**	-
- motor vehicle	**68**	-	**68**	-
Rental income	**1,278**	6,423	**1,278**	6,423
Miscellaneous income	**756**	584	**756**	558
	26,713	34,752	**10,695**	19,112

5. STAFF COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	**81,537**	78,181	**76,967**	73,845
Bonus	**20,293**	26,096	**19,484**	25,537
Contributions to a defined contribution plan - EPF	**15,260**	15,648	**14,747**	15,112
Social security contributions	**536**	479	**522**	466
Provision for short-term accumulating compensated unutilised leave	**173**	154	**153**	146
Retirement benefit obligations (Note 30(a)(i))	**989**	1,174	**989**	1,174
SGP expense	**6,764**	8,230	**6,477**	8,033
Other benefits	**9,741**	7,563	**9,538**	7,382
	135,293	137,525	**128,877**	131,695

6. DEPRECIATION AND AMORTISATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of property, plant and equipment (Note 13)	**11,975**	11,692	**11,957**	11,616
Amortisation of computer software (Note 14)	**9,884**	11,997	**8,212**	10,370
Depreciation of right-of-use assets (Note 15(a))	**111**	111	**111**	111
	21,970	23,800	**20,280**	22,097

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

7. OTHER OPERATING EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Administrative expenses	**6,125**	6,375	**5,803**	5,928
Amortisation of premium/(accretion of discount), net	**2**	(10)	**-**	-
Auditors' remuneration:				
- statutory audit	**376**	356	**86**	82
- tax and assurance-related services **(Note a)**	**155**	155	**99**	99
- other non-audit services **(Note b)**	**295**	289	**295**	289
Building management costs:				
- office rental	**85**	83	**85**	83
- upkeep and maintenance	**10,437**	11,277	**10,437**	11,277
Central Depository System (CDS) consumables	**2,422**	2,767	**2,422**	2,767
Net (reversal of impairment loss)/impairment loss on:				
- investment in subsidiaries (Note 17)	**-**	-	**-**	(1,823)
- investment securities	**(104)**	(207)	**23**	-
- trade and other receivables	**429**	1,582	**39**	1,275
- amount due from a subsidiary	**-**	-	**7**	12
Marketing and development expenses	**12,007**	11,422	**6,161**	7,209
Net loss on foreign exchange differences	**590**	649	**308**	448
Professional fees	**3,939**	2,407	**3,924**	2,385
Lease of equipment	**214**	194	**205**	184
Technology charges:				
- information technology maintenance	**18,325**	19,581	**16,239**	17,508
- service fees	**19,226**	23,416	**-**	669
Others **(Note c)**	**9,509**	8,753	**8,352**	7,610
	84,032	89,089	**54,485**	56,002

Note a

Tax and assurance-related services provided by the auditors are in respect of tax compliance, quarterly limited reviews and annual review of the statement on internal control and risk management.

Note b

Other non-audit services rendered are in respect of tax advisory and reporting accountant services in 2018 and business process improvement training in 2017.

Note c

Others include Non-executive Directors' remuneration as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

8. FINANCE COSTS

	Group and Company	
	2018 RM'000	2017 RM'000
Interest expense on lease liabilities (Note 15(b))	**534**	535

9. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Director's remuneration:				
Salaries and other emoluments	**3,515**	5,465	**3,515**	5,465
Defined contribution plan - EPF	**418**	418	**418**	418
	3,933	5,883	**3,933**	5,883
Estimated monetary value of benefits-in-kind	**35**	35	**35**	35
	3,968	5,918	**3,968**	5,918
Non-executive Directors' remuneration:				
Fees	**1,706**	1,885	**1,706**	1,885
Other emoluments	**1,864**	1,551	**1,750**	1,464
	3,570	3,436	**3,456**	3,349
Estimated monetary value of benefits-in-kind	**35**	35	**35**	35
	3,605	3,471	**3,491**	3,384
Total Directors' remuneration	**7,573**	9,389	**7,459**	9,302
Total Directors' remuneration excluding benefits-in-kind	**7,503**	9,319	**7,389**	9,232
Estimated monetary value of benefits-in-kind	**70**	70	**70**	70
Total Directors' remuneration including benefits-in-kind	**7,573**	9,389	**7,459**	9,302

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

9. DIRECTORS' REMUNERATION (CONT'D.)

	2018		2017	
	Directors' fees RM'000	Other allowances (Note a)/ salaries RM'000	Directors' fees RM'000	Other allowances (Note a)/ salaries RM'000
Group				
Tan Sri Amirsham bin A Aziz	**300**	**798**	300	784
Datuk Seri Tajuddin bin Atan	**-**	**3,968**	-	5,918
Datuk Karownakaran @ Karunakaran a/l Ramasamy	**200**	**140**	200	104
Datuk Chay Wai Leong	**200**	**149**	200	108
Ghazali bin Haji Darman	**200**	**120**	200	72
Pushpanathan a/l S.A. Kanagarayar	**200**	**154**	200	102
Johari bin Abdul Muid	**200**	**210**	200	150
Datin Mariam Prudence binti Yusof	**200**	**168**	173	89
Datin Grace Yeoh Cheng Geok	**200**	**159**	170	80
Chong Chye Neo	**6**	**1**	-	-
Dato' Zuraidah binti Atan	**-**	**-**	27	14
Dato' Saiful Bahri bin Zainuddin	**-**	**-**	48	27
Dato' Eshah binti Meor Suleiman	**-**	**-**	167	56
	1,706	**5,867**	1,885	7,504
Company				
Tan Sri Amirsham bin A Aziz	**300**	**798**	300	784
Datuk Seri Tajuddin bin Atan	**-**	**3,968**	-	5,918
Datuk Karownakaran @ Karunakaran a/l Ramasamy	**200**	**140**	200	104
Datuk Chay Wai Leong	**200**	**149**	200	108
Ghazali bin Haji Darman	**200**	**120**	200	72
Pushpanathan a/l S.A. Kanagarayar	**200**	**154**	200	102
Johari bin Abdul Muid	**200**	**145**	200	90
Datin Mariam Prudence binti Yusof	**200**	**168**	173	89
Datin Grace Yeoh Cheng Geok	**200**	**110**	170	62
Chong Chye Neo	**6**	**1**	-	-
Dato' Zuraidah binti Atan	**-**	**-**	27	14
Dato' Saiful Bahri bin Zainuddin	**-**	**-**	48	18
Dato' Eshah binti Meor Suleiman	**-**	**-**	167	56
	1,706	**5,753**	1,885	7,417

Note a

Other allowances comprise the Chairman's allowance and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended during the year.

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10. TAXATION

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Income tax:				
Current year provision	**78,916**	78,251	**-**	1,012
(Over)/Under provision of tax in prior years	**(224)**	577	**89**	(953)
	78,692	78,828	**89**	59
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	**(1,528)**	(3,076)	**(1,532)**	(3,172)
Under/(Over) provision of tax in prior years	**397**	(78)	**115**	39
	(1,131)	(3,154)	**(1,417)**	(3,133)
Total income tax	**77,561**	75,674	**(1,328)**	(3,074)

Income tax is calculated at the Malaysian statutory tax rate of the estimated assessable profit for the year. The reconciliation between income tax and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 31 December 2017 is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Accounting profit before tax	**308,175**	305,883	**231,459**	214,197
Taxation at Malaysian statutory tax rate of 24%	**73,962**	73,412	**55,550**	51,407
Deferred tax not recognised in respect of current year's:				
- capital allowances	**181**	498	**181**	498
- tax losses	**98**	2	**97**	-
Effect of:				
- tax rate of 3% on profit before tax for subsidiary incorporated in Labuan	**(37)**	(62)	**-**	-
- reduction in Malaysian statutory tax rate	**(89)**	(1,735)	**-**	-
- expenses not deductible for tax purposes	**4,645**	5,047	**4,514**	4,724
- income not subject to tax	**(1,372)**	(1,987)	**(61,874)**	(58,789)
(Over)/Under provision of tax in prior years:				
- income tax	**(224)**	577	**89**	(953)
- deferred tax	**397**	(78)	**115**	39
Income tax for the year	**77,561**	75,674	**(1,328)**	(3,074)

For years of assessment 2017 and 2018, a special reduction in corporate income tax rate is accorded to qualifying persons, including resident companies incorporated under the Companies Act 2016, with reduction by 1% to 4% based on the prescribed incremental percentage of chargeable income from business compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current and previous financial years, based on the percentage of increase in chargeable income of the Group.

NOTES TO THE FINANCIAL STATEMENTS
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10. TAXATION (CONT'D.)

During the current financial year, the Group and the Company have tax savings of RM3,063,000 (2017: Nil) arising from the utilisation of current year tax losses.

11. EARNINGS PER SHARE (EPS)

Pursuant to the requirements of MFRS 133 *Earnings per Share*, the weighted average number of ordinary shares used in the calculation of basic and diluted EPS for the financial year ended 31 December 2017 have been retrospectively adjusted to reflect the bonus issue as disclosed in Note 27.

(a) Basic EPS

Basic EPS is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	**2017**
Profit for the year attributable to owners of the Company (RM'000)	**224,042**	223,040
Weighted average number of ordinary shares in issue ('000)	**806,831**	805,381
Basic EPS (sen)	**27.8**	27.7

(b) Diluted EPS

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the financial year has been adjusted for the dilutive effects of ordinary shares issued to employees under the SGP and potential ordinary shares which may arise from the SGP grants which have not been vested as at the end of the year.

	Group	
	2018	**2017**
Profit for the year attributable to owners of the Company (RM'000)	**224,042**	223,040
Weighted average number of ordinary shares in issue ('000)	**806,831**	805,381
Effects of dilution of share grants ('000)	**2,529**	2,581
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**809,360**	807,962
Diluted EPS (sen)	**27.7**	27.6

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12. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Single-tier special dividend				
8.0 sen per share on 807,475,000 ordinary shares	**64,598**	-	**64,598**	-
15.0 sen per share on 537,501,000 ordinary shares	**-**	80,625	**-**	80,625
First single-tier interim dividend				
14.0 sen per share on 807,475,000 ordinary shares	**113,046**	-	**113,046**	-
20.0 sen per share on 537,501,000 ordinary shares	**-**	107,500	**-**	107,500
Second single-tier interim dividend				
18.5 sen per share on 537,501,000 ordinary shares	**-**	99,438	**99,438**	-
Final single-tier dividend				
17.0 sen per share on 536,522,000 ordinary shares, in respect of year 2016	**-**	-	**-**	91,209
	177,644	287,563	**277,082**	279,334

On 30 January 2019, the Board of Directors approved and declared a second single-tier interim dividend of 11.6 sen per share in respect of the financial year ended 31 December 2018. The dividend amounting to approximately RM93,667,000 will be payable on 28 February 2019. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
As at 31 December 2018							
Cost							
At 1 January 2018		**327,827**	**34,569**	**48,434**	**2,511**	**1,426**	**414,767**
Additions		**803**	**938**	**2,158**	**-**	**202**	**4,101**
Reclassifications		**-**	**-**	**1,389**	**-**	**(1,389)**	**-**
Disposal		**-**	**-**	**-**	**(665)**	**-**	**(665)**
Write-offs		**(22)**	**(932)**	**(959)**	**-**	**-**	**(1,913)**
Exchange differences		**5**	**1**	**32**	**-**	**-**	**38**
At 31 December 2018		**328,613**	**34,576**	**51,054**	**1,846**	**239**	**416,328**
Accumulated depreciation							
At 1 January 2018		**159,001**	**31,866**	**42,865**	**1,737**	**-**	**235,469**
Depreciation charge for the year	6	**7,316**	**997**	**3,430**	**232**	**-**	**11,975**
Disposal		**-**	**-**	**-**	**(665)**	**-**	**(665)**
Write-offs		**(22)**	**(932)**	**(959)**	**-**	**-**	**(1,913)**
Exchange differences		**5**	**1**	**32**	**-**	**-**	**38**
At 31 December 2018		**166,300**	**31,932**	**45,368**	**1,304**	**-**	**244,904**
Net carrying amount at 31 December 2018		**162,313**	**2,644**	**5,686**	**542**	**239**	**171,424**
As at 31 December 2017							
Cost							
At 1 January 2017		327,309	33,411	45,176	1,931	37	407,864
Additions		559	1,800	3,422	580	1,389	7,750
Write-offs		(13)	(633)	-	-	-	(646)
Exchange differences		(28)	(9)	(164)	-	-	(201)
At 31 December 2017		327,827	34,569	48,434	2,511	1,426	414,767
Accumulated depreciation							
At 1 January 2017		151,730	31,718	39,623	1,553	-	224,624
Depreciation charge for the year	6	7,312	790	3,406	184	-	11,692
Write-offs		(13)	(633)	-	-	-	(646)
Exchange differences		(28)	(9)	(164)	-	-	(201)
At 31 December 2017		159,001	31,866	42,865	1,737	-	235,469
Net carrying amount at 31 December 2017		168,826	2,703	5,569	774	1,426	179,298

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
As at 31 December 2018							
Cost							
At 1 January 2018		**327,512**	**34,103**	**48,373**	**2,333**	**1,426**	**413,747**
Additions		**803**	**938**	**2,158**	**-**	**202**	**4,101**
Reclassifications		**-**	**-**	**1,389**	**-**	**(1,389)**	**-**
Disposal		**-**	**-**	**-**	**(665)**	**-**	**(665)**
Write-offs		**(22)**	**(910)**	**(949)**	**-**	**-**	**(1,881)**
At 31 December 2018		**328,293**	**34,131**	**50,971**	**1,668**	**239**	**415,302**
Accumulated depreciation							
At 1 January 2018		**158,690**	**31,406**	**42,817**	**1,560**	**-**	**234,473**
Depreciation charge for the year	6	**7,312**	**994**	**3,419**	**232**	**-**	**11,957**
Disposal		**-**	**-**	**-**	**(665)**	**-**	**(665)**
Write-offs		**(22)**	**(910)**	**(949)**	**-**	**-**	**(1,881)**
At 31 December 2018		**165,980**	**31,490**	**45,287**	**1,127**	**-**	**243,884**
Net carrying amount at 31 December 2018		**162,313**	**2,641**	**5,684**	**541**	**239**	**171,418**
As at 31 December 2017							
Cost							
At 1 January 2017		326,966	32,941	44,955	1,753	37	406,652
Additions		559	1,795	3,418	580	1,389	7,741
Write-offs		(13)	(633)	-	-	-	(646)
At 31 December 2017		327,512	34,103	48,373	2,333	1,426	413,747
Accumulated depreciation							
At 1 January 2017		151,396	31,256	39,475	1,376	-	223,503
Depreciation charge for the year	6	7,307	783	3,342	184	-	11,616
Write-offs		(13)	(633)	-	-	-	(646)
At 31 December 2017		158,690	31,406	42,817	1,560	-	234,473
Net carrying amount at 31 December 2017		168,822	2,697	5,556	773	1,426	179,274

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Buildings and office lots

Group	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
As at 31 December 2018				
Cost				
At 1 January 2018	**285,960**	**19,862**	**22,005**	**327,827**
Additions	**-**	**-**	**803**	**803**
Write-offs	**-**	**-**	**(22)**	**(22)**
Exchange differences	**-**	**-**	**5**	**5**
At 31 December 2018	**285,960**	**19,862**	**22,791**	**328,613**
Accumulated depreciation				
At 1 January 2018	**130,674**	**11,582**	**16,745**	**159,001**
Depreciation charge for the year	**5,242**	**281**	**1,793**	**7,316**
Write-offs	**-**	**-**	**(22)**	**(22)**
Exchange differences	**-**	**-**	**5**	**5**
At 31 December 2018	**135,916**	**11,863**	**18,521**	**166,300**
Net carrying amount at 31 December 2018	**150,044**	**7,999**	**4,270**	**162,313**
As at 31 December 2017				
Cost				
At 1 January 2017	285,960	19,862	21,487	327,309
Additions	-	-	559	559
Write-offs	-	-	(13)	(13)
Exchange differences	-	-	(28)	(28)
At 31 December 2017	285,960	19,862	22,005	327,827
Accumulated depreciation				
At 1 January 2017	125,432	11,301	14,997	151,730
Depreciation charge for the year	5,242	281	1,789	7,312
Write-offs	-	-	(13)	(13)
Exchange differences	-	-	(28)	(28)
At 31 December 2017	130,674	11,582	16,745	159,001
Net carrying amount at 31 December 2017	155,286	8,280	5,260	168,826

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Buildings and office lots (cont'd.)

Company	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
As at 31 December 2018				
Cost				
At 1 January 2018	**285,960**	**19,862**	**21,690**	**327,512**
Additions	**-**	**-**	**803**	**803**
Write-offs	**-**	**-**	**(22)**	**(22)**
At 31 December 2018	**285,960**	**19,862**	**22,471**	**328,293**
Accumulated depreciation				
At 1 January 2018	**130,674**	**11,582**	**16,434**	**158,690**
Depreciation charge for the year	**5,242**	**281**	**1,789**	**7,312**
Write-offs	**-**	**-**	**(22)**	**(22)**
At 31 December 2018	**135,916**	**11,863**	**18,201**	**165,980**
Net carrying amount at 31 December 2018	**150,044**	**7,999**	**4,270**	**162,313**
As at 31 December 2017				
Cost				
At 1 January 2017	285,960	19,862	21,144	326,966
Additions	-	-	559	559
Write-offs	-	-	(13)	(13)
At 31 December 2017	285,960	19,862	21,690	327,512
Accumulated depreciation				
At 1 January 2017	125,432	11,301	14,663	151,396
Depreciation charge for the year	5,242	281	1,784	7,307
Write-offs	-	-	(13)	(13)
At 31 December 2017	130,674	11,582	16,434	158,690
Net carrying amount at 31 December 2017	155,286	8,280	5,256	168,822

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

14. COMPUTER SOFTWARE

Group	Note	Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000
As at 31 December 2018				
Cost				
At 1 January 2018		**121,100**	**6,438**	**127,538**
Additions		**5,151**	**4,239**	**9,390**
Reclassifications		**1,877**	**(1,877)**	**-**
Write-offs		**(363)**	**-**	**(363)**
At 31 December 2018		**127,765**	**8,800**	**136,565**
Accumulated amortisation				
At 1 January 2018		**86,697**	**-**	**86,697**
Amortisation charge for the year	6	**9,884**	**-**	**9,884**
Write-offs		**(363)**	**-**	**(363)**
At 31 December 2018		**96,218**	**-**	**96,218**
Net carrying amount at 31 December 2018		**31,547**	**8,800**	**40,347**
As at 31 December 2017				
Cost				
At 1 January 2017		117,723	4,084	121,807
Additions		3,127	2,604	5,731
Reclassifications		250	(250)	-
At 31 December 2017		121,100	6,438	127,538
Accumulated amortisation				
At 1 January 2017		74,700	-	74,700
Amortisation charge for the year	6	11,997	-	11,997
At 31 December 2017		86,697	-	86,697
Net carrying amount at 31 December 2017		34,403	6,438	40,841

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

14. COMPUTER SOFTWARE (CONT'D.)

Company	Note	Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000
As at 31 December 2018				
Cost				
At 1 January 2018		**103,902**	**6,438**	**110,340**
Additions		**5,025**	**4,239**	**9,264**
Reclassifications		**1,877**	**(1,877)**	**-**
Write-offs		**(363)**	**-**	**(363)**
At 31 December 2018		**110,441**	**8,800**	**119,241**
Accumulated amortisation				
At 1 January 2018		**77,269**	**-**	**77,269**
Amortisation charge for the year	6	**8,212**	**-**	**8,212**
Write-offs		**(363)**	**-**	**(363)**
At 31 December 2018		**85,118**	**-**	**85,118**
Net carrying amount at 31 December 2018		**25,323**	**8,800**	**34,123**
As at 31 December 2017				
Cost				
At 1 January 2017		101,084	4,084	105,168
Additions		2,568	2,604	5,172
Reclassifications		250	(250)	-
At 31 December 2017		103,902	6,438	110,340
Accumulated amortisation				
At 1 January 2017		66,899	-	66,899
Amortisation charge for the year	6	10,370	-	10,370
At 31 December 2017		77,269	-	77,269
Net carrying amount at 31 December 2017		26,633	6,438	33,071

NOTES TO THE FINANCIAL STATEMENTS
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15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Cost		
At 1 January/31 December	**8,518**	8,518
Accumulated depreciation		
At 1 January	**111**	-
Depreciation charge for the year (Note 6)	**111**	111
At 31 December	**222**	111
Net carrying amount at 31 December	**8,296**	8,407

The Group and the Company have entered into two non-cancellable operating lease agreements for the use of land. The leases are for a period of 99 years with no renewal or purchase option included in the agreements. The leases do not allow the Group and the Company to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. Tenancy is, however, allowed with the consent of the lessor.

(b) Lease liabilities

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Lease liabilities:		
- non-current	**7,466**	7,470
- current	**505**	505
Total lease liabilities	**7,971**	7,975

The movement of lease liabilities during the financial year is as follows:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**7,975**	7,979
Interest charge (Note 8)	**534**	535
Payments of:		
- principal	**(4)**	(4)
- interest	**(534)**	(535)
At 31 December	**7,971**	7,975

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16. GOODWILL

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January/31 December	**42,957**	42,957	**29,494**	29,494

Goodwill is in respect of acquisitions of subsidiaries by the Group and has been allocated to the CGUs in the following market segments:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Securities market	**33,273**	33,273	**29,494**	29,494
Derivatives market	**9,684**	9,684	**-**	-
	42,957	42,957	**29,494**	29,494

Key assumptions used in value-in-use calculations

The following describes the key assumptions on which the Group and the Company have based their cash flow projections to undertake impairment assessment of goodwill:

(a) Securities and Derivatives markets

The recoverable amount of this CGU has been determined based on value-in-use calculations using five-year financial projections. Revenue growth has been capped at 5% per annum (2017: 5% per annum), while expenses have been assumed to grow at an average of 2% per annum (2017: 3% per annum), which is in line with the expected inflation rate. No revenue and expense growth was projected from the sixth year to perpetuity.

(b) Discount rate

A discount rate of 8% (2017: 8%) was applied in determining the recoverable amount of the respective CGU. The discount rate was based on the Group's weighted average cost of capital.

Sensitivity to changes in assumptions

The Group and the Company believe that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

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17. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	**2017 RM'000**
Unquoted shares, at cost	**174,183**	174,183
Less: Accumulated impairment losses	**(20,218)**	(20,218)
	153,965	153,965

In the previous financial year, the Company reversed an impairment loss of RM1,823,000 in relation to the investment in its wholly owned subsidiary, Labuan International Financial Exchange Inc, on the basis that the recoverable amount exceeds its carrying amount.

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

	Proportion of ownership interest		Share capital		
Name of subsidiaries	**2018 %**	**2017 %**	**2018 RM'000**	**2017 RM'000**	**Principal activities**
Bursa Malaysia Securities Berhad (Bursa Malaysia Securities)	**100**	100	**25,250**	25,250	Provides, operates and maintains a securities exchange.
Bursa Malaysia Securities Clearing Sdn Bhd (Bursa Malaysia Securities Clearing)	**100**	100	**50,000**	50,000	Provides, operates and maintains a clearing house for the securities exchange.
Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives)	**75**	75	**50,000**	50,000	Provides, operates and maintains a derivatives exchange.
Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository)	**100**	100	**30,000**	30,000	Provides, operates and maintains a central depository for securities listed on the securities exchange.
Bursa Malaysia Islamic Services Sdn Bhd (Bursa Malaysia Islamic Services)	**100**	100	**2,600**	2,600	Provides, operates and maintains a Shariah compliant commodity trading platform.
Bursa Malaysia Information Sdn Bhd (Bursa Malaysia Information)	**100**	100	**250**	250	Compiles, provides and disseminates prices and other information relating to securities quoted on the securities and derivatives exchanges within the Group, as well as data reported from the bond platform.

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17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Proportion of ownership interest 2018 %	2017 %	Share capital 2018 RM'000	2017 RM'000	Principal activities
Labuan International Financial Exchange Inc (LFX)*	**100**	100	**5,500 (in USD'000)**	5,500 (in USD'000)	Provides, operates and maintains an offshore financial exchange.
Bursa Malaysia Bonds Sdn Bhd (Bursa Malaysia Bonds)	**100**	100	**2,600**	2,600	Provides, operates and maintains an electronic trading platform for the bond market.
Subsidiary held through Bursa Malaysia Derivatives					
Bursa Malaysia Derivatives Clearing Berhad (Bursa Malaysia Derivatives Clearing)	**75**	75	**20,000**	20,000	Provides, operates and maintains a clearing house for the derivatives exchange.
Subsidiary held through Bursa Malaysia Depository					
Bursa Malaysia Depository Nominees Sdn Bhd (Bursa Malaysia Depository Nominees)	**100**	100	**~**	~	Acts as a nominee for Bursa Malaysia Depository and receives securities on deposit or for safe-custody or management.

* Incorporated in the Federal Territory of Labuan, Malaysia.
~ Denotes RM2.

(a) All subsidiaries are consolidated. The proportion of the voting rights in the subsidiaries held directly by the parent company does not differ from the proportion of ordinary shares held.

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17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) The summarised financial information of Bursa Malaysia Derivatives Group (before inter-company eliminations between the Group and Bursa Malaysia Derivatives Group) that has a non-controlling interest representing 25% of ownership interest is as follows:

(i) Summarised consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Assets		
Non-current assets	15,266	17,511
Current assets	1,328,880	1,129,676
Total assets	1,344,146	1,147,187
Equity attributable to owners of Bursa Malaysia Derivatives	54,159	54,873
Liabilities		
Non-current liabilities	5,084	6,418
Current liabilities	1,284,903	1,085,896
Total liabilities	1,289,987	1,092,314
Total equity and liabilities	1,344,146	1,147,187

(ii) Summarised consolidated statement of profit or loss:

	2018 RM'000	2017 RM'000
Total revenue	92,614	96,859
Total expenses	(57,924)	(58,775)
Profit for the year	26,286	28,675
Dividends paid to a non-controlling interest	6,750	13,000

(iii) Summarised consolidated statement of cash flows:

	2018 RM'000	2017 RM'000
Net cash from operating activities	28,739	29,422
Net cash from investing activities	16	2,428
Net cash used in financing activities	(28,599)	(53,754)
Net increase/(decrease) in cash and cash equivalents	156	(21,904)
Cash and cash equivalents at beginning of year	47,809	69,713
Cash and cash equivalents at end of year	47,965	47,809

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18. INVESTMENT SECURITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Quoted shares (outside Malaysia)	**297,993**	226,806	**297,993**	226,806
Unquoted bonds	**40,147**	54,973	**-**	-
	338,140	281,779	**297,993**	226,806
Current				
Unquoted bonds	**30,012**	25,039	**-**	-
Commercial paper	**4,923**	-	**4,923**	-
	34,935	25,039	**4,923**	-
Total investment securities	**373,075**	306,818	**302,916**	226,806

19. STAFF LOANS RECEIVABLE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Housing loans	**2,631**	3,347	**2,247**	2,914
Vehicle loans	**43**	39	**43**	39
Computer loans	**73**	67	**70**	65
	2,747	3,453	**2,360**	3,018
Less: Receivables within 12 months, included in other receivables (Note 22)	**(460)**	(535)	**(425)**	(460)
	2,287	2,918	**1,935**	2,558

20. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	**5,018**	1,964	**3,691**	642
Recognised in profit or loss (Note 10)	**1,131**	3,154	**1,417**	3,133
Recognised in other comprehensive income	**(82)**	(100)	**(59)**	(84)
At 31 December	**6,067**	5,018	**5,049**	3,691

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20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Presented after appropriate offsetting as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets (before offsetting)	**21,466**	22,841	**18,993**	19,732
Offsetting	**(14,011)**	(16,094)	**(13,944)**	(16,041)
Deferred tax assets (after offsetting)	**7,455**	6,747	**5,049**	3,691
Deferred tax liabilities (before offsetting)	**(15,399)**	(17,823)	**(13,944)**	(16,041)
Offsetting	**14,011**	16,094	**13,944**	16,041
Deferred tax liabilities (after offsetting)	**(1,388)**	(1,729)	**-**	-
Net deferred tax assets	**6,067**	5,018	**5,049**	3,691

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority.

Deferred tax assets of the Group:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment loss RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
As at 31 December 2018							
At 1 January 2018	**5,248**	**9,693**	**215**	**29**	**7,329**	**327**	**22,841**
Recognised in profit or loss	**(848)**	**(1,496)**	**(28)**	**2**	**1,112**	**(58)**	**(1,316)**
Recognised in other comprehensive income	**(59)**	**-**	**-**	**-**	**-**	**-**	**(59)**
At 31 December 2018	**4,341**	**8,197**	**187**	**31**	**8,441**	**269**	**21,466**
As at 31 December 2017							
At 1 January 2017	6,020	8,145	253	34	8,302	328	23,082
Recognised in profit or loss	(688)	1,548	(38)	(5)	(973)	(1)	(157)
Recognised in other comprehensive income	(84)	-	-	-	-	-	(84)
At 31 December 2017	5,248	9,693	215	29	7,329	327	22,841

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20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Group:

	Right-of-use assets RM'000	Accelerated capital allowances RM'000	Investment securities - unquoted bonds RM'000	Total RM'000
As at 31 December 2018				
At 1 January 2018	**(104)**	**(17,668)**	**(51)**	**(17,823)**
Recognised in profit or loss	**26**	**2,414**	**7**	**2,447**
Recognised in other comprehensive income	**-**	**-**	**(23)**	**(23)**
At 31 December 2018	**(78)**	**(15,254)**	**(67)**	**(15,399)**
As at 31 December 2017				
At 1 January 2017	-	(21,041)	(77)	(21,118)
Recognised in profit or loss	(104)	3,373	42	3,311
Recognised in other comprehensive income	-	-	(16)	(16)
At 31 December 2017	(104)	(17,668)	(51)	(17,823)

Deferred tax assets of the Company:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment loss RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
As at 31 December 2018							
At 1 January 2018	**5,248**	**6,789**	**15**	**24**	**7,329**	**327**	**19,732**
Recognised in profit or loss	**(848)**	**(892)**	**2**	**4**	**1,112**	**(58)**	**(680)**
Recognised in other comprehensive income	**(59)**	**-**	**-**	**-**	**-**	**-**	**(59)**
At 31 December 2018	**4,341**	**5,897**	**17**	**28**	**8,441**	**269**	**18,993**
As at 31 December 2017							
At 1 January 2017	6,020	4,862	21	28	8,302	328	19,561
Recognised in profit or loss	(688)	1,927	(6)	(4)	(973)	(1)	255
Recognised in other comprehensive income	(84)	-	-	-	-	-	(84)
At 31 December 2017	5,248	6,789	15	24	7,329	327	19,732

NOTES TO THE FINANCIAL STATEMENTS
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20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Company:

	Right-of-use assets RM'000	Accelerated capital allowances RM'000	Total RM'000
As at 31 December 2018			
At 1 January 2018	**(104)**	**(15,937)**	**(16,041)**
Recognised in profit or loss	**26**	**2,071**	**2,097**
At 31 December 2018	**(78)**	**(13,866)**	**(13,944)**
As at 31 December 2017			
At 1 January 2017	-	(18,919)	(18,919)
Recognised in profit or loss	(104)	2,982	2,878
At 31 December 2017	(104)	(15,937)	(16,041)

As disclosed in Note 2.4(q)(ii), the tax effects of deductible temporary differences, unutilised tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. At the financial year end, the amounts of unutilised tax losses and unused capital allowances which are not recognised in the financial statements due to uncertainty of their realisation are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unused capital allowances	**5,972**	5,218	**5,972**	5,218
Unutilised tax losses	**8,561**	8,153	**406**	-
	14,533	13,371	**6,378**	5,218

The availability of unutilised tax losses for offsetting against future taxable profits of a subsidiary in Malaysia is subject to no substantial changes in the shareholding of the subsidiary under the Income Tax Act 1967 and guidelines issued by the tax authority. With effect from year of assessment (YA) 2019, unutilised business losses arising from a YA is allowed to only be carried forward from YA 2018 for utilisation up to 7 consecutive YAs from that YA. In addition, any accumulated unabsorbed business losses brought forward from YA 2018 shall be allowed to be utilised for 7 consecutive YAs (i.e until YA 2025).

NOTES TO THE FINANCIAL STATEMENTS
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21. TRADE RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	**40,345**	48,398	**2,028**	1,925
Less: Allowance for impairment loss	**(1,745)**	(1,180)	**(220)**	(137)
	38,600	47,218	**1,808**	1,788

22. OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits	**738**	737	**619**	619
Prepayments	**9,695**	3,989	**9,580**	3,873
Interest receivable	**3,899**	5,014	**193**	861
Staff loans receivable within 12 months (Note 19)	**460**	535	**425**	460
Sundry receivables	**9,536**	11,581	**5,854**	7,885
	24,328	21,856	**16,671**	13,698
Less: Allowance for impairment loss	**(5,756)**	(5,892)	**(2,326)**	(2,370)
	18,572	15,964	**14,345**	11,328

23. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Bursa Malaysia Securities	**6,386**	10,462
Bursa Malaysia Securities Clearing	**705**	2,280
Bursa Malaysia Derivatives	**1,452**	1,740
Bursa Malaysia Derivatives Clearing	**480**	699
Bursa Malaysia Depository	**1,775**	2,782
Bursa Malaysia Islamic Services	**787**	1,443
Bursa Malaysia Information	**745**	802
LFX	**1**	1
Bursa Malaysia Bonds	**11,882**	11,875
	24,213	32,084
Less: Allowance for impairment loss	**(11,882)**	(11,875)
	12,331	20,209

The amounts due from subsidiaries are unsecured, receivable within 30 days and bear late payment interest charges of 8.9% (2017: 8.7%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
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24. CASH FOR EQUITY MARGINS, DERIVATIVES TRADING MARGINS, SECURITY DEPOSITS AND eDIVIDEND DISTRIBUTIONS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Equity margins	**125,385**	115,344
Derivatives trading margins	**1,223,643**	1,025,727
Security deposits	**26,927**	24,953
Trade payables (**Note a**)	**1,375,955**	1,166,024
Cash received for eDividend distributions (included in other payables (Note 32))	**40**	2,502
Total cash for equity margins, derivatives trading margins, security deposits and eDividend distributions (**Note b**)	**1,375,995**	1,168,526

Note a

Trade payables comprise derivatives trading margins and security deposits which are derived from cash received from Clearing Participants (CPs) of Bursa Malaysia Derivatives Clearing for their open interests in derivatives contracts as at the financial year end. Trade payables also comprise collaterals lodged by Trading Clearing Participants (TCPs) of Bursa Malaysia Securities Clearing for equity margins and for borrowings under the Securities Borrowing and Lending (SBL) framework. There are no cash collaterals lodged by TCPs for borrowings under the SBL framework as at the financial year end.

Note b

The cash received from CPs and TCPs are placed in interest-bearing deposits and interest earned is credited to the CPs' and TCPs' accounts net of collateral management services fees levied by Bursa Malaysia Derivatives Clearing and Bursa Malaysia Securities Clearing respectively. Cash received for eDividend distributions are placed in interest-bearing deposits until such time when dividend payments are due. The details of the cash received are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Cash on hand and at banks	**245,486**	305,987
Deposits with licensed financial institutions	**1,130,509**	862,539
	1,375,995	1,168,526

Note c

The amount of non-cash collaterals for equity margins, derivatives trading margins and security deposits held by, but not belonging to, the Group and which are not included in the Group's statement of financial position as at the financial year end comprise the following:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Collaterals in the form of letters of credit	**620,819**	581,830
Collaterals in the form of shares	**307**	525
	621,126	582,355

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25. CASH AND BANK BALANCES OF CLEARING FUNDS

Group	Participants' contribution RM'000	Cash set aside by the Group RM'000	Total RM'000
As at 31 December 2018			
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	**18,768**	**-**	**18,768**
Bursa Malaysia Securities Clearing	**-**	**25,000**	**25,000**
Additional cash resources from Bursa Malaysia Securities Clearing	**-**	**60,000**	**60,000**
Clearing Guarantee Fund (CGF) contributions	**18,768**	**85,000**	**103,768**
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	**21,038**	**-**	**21,038**
Bursa Malaysia Derivatives Clearing	**-**	**5,000**	**5,000**
Derivatives Clearing Fund (DCF) contributions	**21,038**	**5,000**	**26,038**
Total cash and bank balances of Clearing Funds as at 31 December 2018	**39,806**	**90,000**	**129,806**
As at 31 December 2017			
Contributions from:			
TCPs of Bursa Malaysia Securities Clearing	17,577	-	17,577
Bursa Malaysia Securities Clearing	-	25,000	25,000
Additional cash resources from Bursa Malaysia Securities Clearing	-	60,000	60,000
CGF contributions	17,577	85,000	102,577
Contributions from:			
CPs of Bursa Malaysia Derivatives Clearing	22,051	-	22,051
Bursa Malaysia Derivatives Clearing	-	5,000	5,000
DCF contributions	22,051	5,000	27,051
Total cash and bank balances of Clearing Funds as at 31 December 2017	39,628	90,000	129,628

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25. CASH AND BANK BALANCES OF CLEARING FUNDS (CONT'D.)

(a) As at the financial year end, the total cash and non-cash components of the CGF are as follows:

	2018 RM'000	2017 RM'000
Cash and bank balances	**103,768**	102,577
Bank guarantees from TCPs of Bursa Malaysia Securities Clearing	**-**	2,940
Total CGF	**103,768**	105,517

The bank guarantees above were lodged and accepted by the Group prior to the effective date of the removal of the bank guarantee as an acceptable form of contribution to the CGF pursuant to the amendments to the Rules of Bursa Malaysia Securities Clearing on 18 December 2017.

(b) There are no non-cash collaterals from CPs of Bursa Malaysia Derivatives Clearing for the DCF held by the Group as at 31 December 2018 and 31 December 2017.

26. CASH AND BANK BALANCES OF THE GROUP/COMPANY

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash on hand and at banks	**3,678**	4,299	**1,171**	381
Deposits with:				
Licensed banks	**172,695**	207,679	**36,442**	70,832
Licensed investment banks	**46,412**	59,229	**6,795**	16,853
	219,107	266,908	**43,237**	87,685
Total cash and bank balances	**222,785**	271,207	**44,408**	88,066

(a) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total cash and bank balances	**222,785**	271,207	**44,408**	88,066
Less: Deposits not for short-term funding requirements	**(54,825)**	(23,075)	**(15,179)**	(14,761)
	167,960	248,132	**29,229**	73,305

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27. SHARE CAPITAL

	2018		2017	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
Issued and fully paid				
Group				
At 1 January	**537,501**	**402,169**	536,272	268,136
Issued during the year pursuant to:				
- bonus issue	**268,750**	**15,323**	-	-
- SGP (Note 30(b))	**1,224**	**6,650**	1,229	9,731
Adjustments for the effects of Companies Act 2016:				
- share premium	**-**	**-**	-	119,052
- capital redemption reserve	**-**	**-**	-	5,250
At 31 December	**807,475**	**424,142**	537,501	402,169
Company				
At 1 January	**537,501**	**396,919**	536,272	268,136
Issued during the year pursuant to:				
- bonus issue	**268,750**	**15,323**	-	-
- SGP (Note 30(b))	**1,224**	**6,650**	1,229	9,731
Adjustments for the effects of Companies Act 2016:				
- share premium	**-**	**-**	-	119,052
At 31 December	**807,475**	**418,892**	537,501	396,919

In the previous financial year, the credits standing in the share premium and capital redemption reserve accounts of RM119,052,000 and RM5,250,000 respectively were transferred to the share capital account pursuant to the Companies Act 2016, which came into effect on 31 January 2017.

During the current financial year, the number of ordinary shares of the Group and of the Company increased from 537,501,000 to 807,475,000 due to the following:

(a) On 13 April 2018, the issuance of 268,750,000 new ordinary shares via a bonus issue, credited as fully paid-up share capital on the basis of one new ordinary share for every two existing ordinary shares through capitalisation of the share premium and retained earnings of the Group and of the Company of RM119,052,000 and RM15,323,000 respectively; and

(b) On 13 July 2018, the issuance of 1,224,000 new ordinary shares pursuant to the SGP, details of which are disclosed in Note 30(b).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

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28. OTHER RESERVES

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Foreign currency translation reserve	(a)	**605**	531	**-**	-
Share grant reserve	(b)	**6,963**	6,849	**6,963**	6,849
Clearing fund reserves	(c)	**30,000**	30,000	**-**	-
FVTOCI reserve	(d)	**213,743**	142,558	**213,503**	142,316
		251,311	179,938	**220,466**	149,165

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency differs from the Group's presentation currency.

(b) Share grant reserve

The share grant reserve represents the value of equity-settled shares granted to employees under the SGP. This reserve is made up of the cumulative value of services received from employees recorded on grant of shares.

(c) Clearing fund reserves

		Group	
		2018	2017
	Note	RM'000	RM'000
Amount set aside for:			
CGF, in accordance with the Rules of Bursa Malaysia Securities Clearing	(i)	**25,000**	25,000
DCF, in accordance with the Rules of Bursa Malaysia Derivatives Clearing	(ii)	**5,000**	5,000
		30,000	30,000

(i) CGF reserve

The CGF reserve is an amount set aside following the implementation of the CGF. The minimum size of the CGF shall be at RM100,000,000 and may increase by the quantum of interest arising from investments of contributions from the TCPs. The CGF comprises contributions from the TCPs and appropriation from Bursa Malaysia Securities Clearing resources, and other financial resources. The CGF composition is disclosed in Note 25(a).

(ii) DCF reserve

Pursuant to the Rules of Bursa Malaysia Derivatives Clearing, Bursa Malaysia Derivatives Clearing set up a DCF for derivatives clearing and settlement. The DCF comprises contributions from CPs and appropriation of certain amounts from Bursa Malaysia Derivatives Clearing's retained earnings. The DCF composition is disclosed in Note 25.

(d) FVTOCI reserve

FVTOCI reserve represents the cumulative fair value changes, net of tax, of investment securities until they are disposed or impaired.

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29. RETAINED EARNINGS

The Company is able to distribute dividends out of its entire retained earnings under the single-tier tax system.

30. EMPLOYEE BENEFITS

(a) Retirement benefit obligations

Contributions to the Scheme are made to a separately administered fund. Under the Scheme, eligible employees are entitled to a lump sum, upon leaving service, calculated based on the multiplication of two times the final scheme salary, pensionable service and a variable factor based on service years, less EPF offset.

The amounts recognised in the statements of financial position were determined as follows:

	Group and Company	
	2018 RM'000	**2017 RM'000**
Present value of funded defined benefit obligations	**19,602**	22,226
Fair value of plan assets	**(1,520)**	(366)
Net liability arising from defined benefit obligations	**18,082**	21,860

(i) The movements in the net defined benefit liabilities were as follows:

		Group and Company		
	Note	**Present value of funded defined benefit obligations RM'000**	**Fair value of plan assets RM'000**	**Total RM'000**
At 1 January 2018		**22,226**	**(366)**	**21,860**
Interest expense/(income)	5	**1,007**	**(18)**	**989**
		23,233	**(384)**	**22,849**
Remeasurement:				
- experience gain		**(246)**	**-**	**(246)**
		(246)	**-**	**(246)**
Contributions by employer		**-**	**(4,521)**	**(4,521)**
Payments from plan		**(3,385)**	**3,385**	**-**
At 31 December 2018		**19,602**	**(1,520)**	**18,082**

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30. EMPLOYEE BENEFITS (CONT'D.)

(a) Retirement benefit obligations (cont'd.)

(i) The movements in the net defined benefit liabilities were as follows: (cont'd.)

	Note	Group and Company Present value of funded defined benefit obligations RM'000	Fair value of plan assets RM'000	Total RM'000
At 1 January 2017		26,107	(1,028)	25,079
Interest expense/(income)	5	1,226	(52)	1,174
		27,333	(1,080)	26,253
Remeasurements:				
- return on plan assets		-	22	22
- financial assumptions		95	-	95
- experience gain		(467)	-	(467)
		(372)	22	(350)
Contributions by employer		-	(4,043)	(4,043)
Payments from plan		(4,735)	4,735	-
At 31 December 2017		22,226	(366)	21,860

(ii) The plan assets comprise the following:

	Group and Company 2018 RM'000	2017 RM'000
Investment securities:		
- Malaysian Government Securities	**304**	499
Cash and bank balances	**1,219**	104
Other receivables	**5**	227
Other payables	**(8)**	(464)
	1,520	366

(iii) Principal actuarial assumptions used for determination of the defined benefits obligation are as follows:

	Group and Company 2018 %	2017 %
Discount rate	**4.9**	4.9
Expected rate of salary increase	**5.0**	5.0

The discount rate is determined based on the values of AA-rated corporate bond yields with 3 to 15 years maturity.

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30. EMPLOYEE BENEFITS (CONT'D.)

(a) Retirement benefit obligations (cont'd.)

(iv) The sensitivity analysis below has been derived based on changes to individual assumptions, with all other assumptions held constant:

	Group and Company			
	Discount rate		Salary increment rate	
	Increase by 1% RM'000	Decrease by 1% RM'000	Increase by 1% RM'000	Decrease by 1% RM'000
At 31 December 2018				
(Decrease)/Increase in defined benefit obligations	**(796)**	**852**	**776**	**(741)**
At 31 December 2017				
(Decrease)/Increase in defined benefit obligations	(1,141)	766	683	(1,081)

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation to one another as some assumptions may be correlated.

No changes were made to the methods and types of assumptions used in preparing the sensitivity analysis for the current financial year compared to the previous year.

(b) SGP

The SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is in force for a maximum period of 10 years.

The SGP comprises two types of performance-based awards, namely RSP and PSP.

The salient features and terms of the SGP are as follows:

(i) The Committee (appointed by the Board of Directors to administer the SGP) may, at its discretion where necessary, direct the implementation and administration of the plan. The Committee may, at any time within the duration of the plan, offer RSP and PSP awards under the SGP to eligible employees and/or Executive Directors of the Group, wherein such offers shall lapse should the eligible employees or Executive Directors of the Group fail to accept the same within the periods stipulated.

(ii) To facilitate the implementation of the SGP, a Trust to be administered in accordance to the Trust Deed by the Trustee appointed by the Company was established. The Trustee shall subscribe for new ordinary shares in the Company and transfer the shares to eligible employees and/or Executive Directors of the Group participating in the SGP. The Trustee will obtain financial funding from the Company and/or its subsidiaries and/or third parties for purposes of administering the Trust.

(iii) The total number of shares to be issued under the SGP shall not exceed, in aggregate, 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time during the tenure of the SGP and out of which not more than 50% of the maximum shares available shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the maximum shares available under the SGP shall be allocated to any individual employee or Executive Director who, either individually or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS
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30. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

(iv) All new ordinary shares issued pursuant to the SGP will rank pari passu in all respects with the then existing ordinary shares of the Company, except that the new ordinary shares so issued will not be entitled to any rights, dividends or other distributions declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise.

(v) Unless otherwise determined by the Committee in accordance with the By-Laws, the shares granted will only be vested to the eligible employees and/or Executive Directors of the Group who have duly accepted the offer of awards under the SGP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:

- Eligible employees and/or Executive Directors of the Group must remain in employment with the Group and shall not have given notice of resignation or received notice of termination of service as at the vesting dates.

- In respect of the PSP, eligible employees and/or Executive Directors of the Group having achieved his/her performance targets as stipulated by the Committee and as set out in their offer of awards.

The following table illustrates the movement of shares under the SGP during the financial year:

	Group and Company					
	At 1 January '000	Bonus issue '000	Granted '000	Vested '000	Forfeited '000	At 31 December '000
2018						
2015 grants:						
RSP	**321**	**155**	**-**	**(465)**	**(11)**	**-**
PSP	**395**	**185**	**-**	**-**	**(580)**	**-**
2016 grants:						
RSP	**630**	**302**	**-**	**(442)**	**(43)**	**447**
PSP	**289**	**133**	**-**	**-**	**(59)**	**363**
2017 grants:						
RSP	**680**	**326**	**-**	**(311)**	**(56)**	**639**
PSP	**197**	**91**	**-**	**-**	**(40)**	**248**
2018 grants:						
RSP	**-**	**-**	**1,023**	**(6)**	**(38)**	**979**
PSP	**-**	**-**	**288**	**-**	**(24)**	**264**
	2,512	**1,192**	**1,311**	**(1,224)**	**(851)**	**2,940**

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30. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

The following table illustrates the movement of shares under the SGP during the financial year: (cont'd.)

	Group and Company					
	At 1 January '000	Bonus issue '000	Granted '000	Vested '000	Forfeited '000	At 31 December '000
2017						
2014 grants:						
RSP	346	-	-	(335)	(11)	-
PSP	426	-	-	-	(426)	-
2015 grants:						
RSP	685	-	-	(319)	(45)	321
PSP	441	-	-	-	(46)	395
2016 grants:						
RSP	1,041	-	-	(325)	(86)	630
PSP	312	-	-	-	(23)	289
2017 grants:						
RSP	-	-	979	(250)	(49)	680
PSP	-	-	229	-	(32)	197
	3,251	-	1,208	(1,229)	(718)	2,512

As disclosed in Note 27, share grants vested during the financial year resulted in the issuance of 1,224,000 (2017: 1,229,000) ordinary shares. The weighted average share price at the date of vesting for the financial year was RM5.44 (2017: RM7.92).

The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

(i) The 2018 grants are to be vested within the next 3 years.

(ii) The 2017 grants are to be vested within the next 2 years.

(iii) The 2016 grant is to be vested within the next year.

Fair value of shares granted during the financial year

The fair values of shares granted during the financial year were measured at grant date and the assumptions were as follows:

(i) The fair value of RSP shares granted on 18 April 2018 (2017: 3 July 2017) was estimated using a discounted cash flow model, taking into account the vesting conditions upon which the RSP shares were granted. The weighted average fair value of the RSP shares at the grant date was RM6.89 (2017: RM10.35). An average expected dividend yield of 3.9% (2017: 3.9%) was used in measuring the fair values.

NOTES TO THE FINANCIAL STATEMENTS
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30. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

Fair value of shares granted during the financial year (cont'd.)

The fair values of shares granted during the financial year were measured at grant date and the assumptions were as follows: (cont'd.)

(ii) The performance conditions for the PSP include a non-market based hurdle and a market based hurdle. The non-market based hurdle is valued using a discounted cash flow model while the market based hurdle uses assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation. The key assumptions used in these models are as follows:

	2018	2017
Grant date	**27 April**	3 July
Share price	**RM7.26**	RM10.54
Expected dividend yield	**4.3%**	4.1%
Expected volatility	**15.0%**	15.0%
Risk free rate	**3.7%**	3.4%

On 27 November 2017, the Company announced the proposed establishment and implementation of a new employees' share grant plan (ESGP), to replace the existing SGP. The proposed ESGP is pending approval from the Securities Commission Malaysia before its tabling to the shareholders of the Company for approval.

31. DEFERRED GRANTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At 1 January	**2,038**	3,092	**972**	1,895
Grant income (Note 4)	**(1,338)**	(1,559)	**(1,206)**	(1,428)
Received during the year	**2,105**	505	**2,105**	505
At 31 December	**2,805**	2,038	**1,871**	972

The deferred grants of the Group refer to grants from the Capital Market Development Fund (CMDF) and the Securities Commission for the development of the bond trading platform, the development of clearing facilities and the licence for the order management system for the derivatives market, and the construction of an Environmental, Social and Governance (ESG) index. The deferred grants of the Company refers to the grant from the CMDF for the development of the bond trading platform and the construction of an ESG index. There are no unutilised conditions or contingencies attached to these grants.

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32. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Accruals	**22,869**	24,791	**18,990**	18,002
Amount due to Securities Commission	**4,141**	6,627	**-**	-
Capital Market Education and Integrity Fund	**18,919**	21,551	**18,919**	21,551
Provision for employee benefits	**25,153**	29,362	**24,037**	27,993
Receipts in advance	**4,849**	6,690	**795**	603
Sundry payables	**21,567**	26,968	**6,458**	11,018
	97,498	115,989	**69,199**	79,167

Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM40,000 (2017: RM2,502,000).

Receipt in advance of the Group and of the Company represent contract liabilities to customers. The movement in contract liabilities are as below:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	**6,690**	8,480	**603**	543
Income recognised	**(5,831)**	(5,535)	**(357)**	(227)
Received during the year	**3,990**	3,745	**549**	287
At 31 December	**4,849**	6,690	**795**	603

33. BURSA MALAYSIA DEPOSITORY SDN BHD - COMPENSATION FUND (DEPOSITORY - CF)

In 1997, pursuant to the provisions of Section 5(1)(b)(vii) of the Securities Industry (Central Depositories) Act 1991, Bursa Malaysia Depository, a wholly-owned subsidiary of the Company, established a scheme of compensation for the purpose of settling claims by depositors against Bursa Malaysia Depository, its authorised depository agents and Bursa Malaysia Depository Nominees. The scheme comprises monies in the Depository - CF and insurance policies. Bursa Malaysia Depository's policy is to maintain the balance in the Depository - CF at RM50,000,000. In consideration for the above, all revenue accruing to the Depository - CF's deposits and investments are to be credited to Bursa Malaysia Depository and all expenditure incurred for and on behalf of the Depository - CF will be paid for by Bursa Malaysia Depository.

The net assets of the fund are as follows:

	2018 RM'000	2017 RM'000
Depository - CF	**50,000**	50,000

The assets of the fund are segregated from the financial statements of the Group and are accounted for separately.

NOTES TO THE FINANCIAL STATEMENTS
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34. OPERATING LEASE ARRANGEMENTS

(a) The Group and the Company as lessor of building

The Company has entered into operating lease agreements for the rental of office space in its building. The lease period is three years, with renewal option for another three years included in the agreements. The leases have a fixed rental rate for the existing lease period with an upward revision to the rental rate for the renewed lease period.

The future aggregate minimum lease payments receivable under operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Not later than one year	**950**	427
Later than one year and not later than five years	**1,187**	88
	2,137	515

The rental income for the financial years are disclosed in Note 4.

(b) The Company as lessor of building

The Company has entered into an operating lease arrangement with its subsidiaries for the use of office space. The lease is for a period of three years and shall be automatically renewed for further periods of three years for each renewal unless terminated.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2018	**2017**
	RM'000	**RM'000**
Not later than one year	**4,740**	4,740
Later than one year and not later than five years	**14,221**	18,961
	18,961	23,701

Office space rental income earned by the Company for the current and previous financial years are disclosed in Note 3 and Note 36(a).

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34. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(c) The Company as lessor of computer equipment

The Company has entered into an operating lease arrangement with its subsidiaries for the use of computer equipment. The computer equipment is leased between three to ten years with no purchase option included in the contract.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2018	**2017**
	RM'000	**RM'000**
Not later than one year	**8,794**	9,445
Later than one year and not later than five years	**15,987**	17,540
Later than five years	**2,114**	3,185
	26,895	30,170

Income from the lease of computer equipment for the current and previous financial years are disclosed in Note 3 and Note 36(a).

35. CAPITAL COMMITMENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for				
Computers and office automation	**2,193**	1,669	**2,193**	1,669
Office equipment and renovation	**364**	12	**364**	12
	2,557	1,681	**2,557**	1,681
Approved but not contracted for				
Computers and office automation	**2,851**	60	**2,842**	60
Office equipment and renovation	**-**	50	**-**	50
	2,851	110	**2,842**	110

NOTES TO THE FINANCIAL STATEMENTS
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36. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Transactions with subsidiaries

Significant transactions between the Company and its subsidiaries are as follows:

	2018 RM'000	2017 RM'000
Management fees income from:		
Bursa Malaysia Securities	**87,918**	82,293
Bursa Malaysia Derivatives	**12,591**	12,332
Bursa Malaysia Securities Clearing	**9,663**	9,825
Bursa Malaysia Derivatives Clearing	**5,480**	5,297
Bursa Malaysia Depository	**19,349**	20,140
Bursa Malaysia Information	**5,867**	5,948
Bursa Malaysia Islamic Services	**7,903**	7,586
Bursa Malaysia Bonds	**2**	2
LFX	**15**	15
	148,788	143,438
Office space rental income from:		
Bursa Malaysia Securities	**1,881**	1,848
Bursa Malaysia Derivatives	**926**	955
Bursa Malaysia Securities Clearing	**228**	236
Bursa Malaysia Depository	**1,197**	1,175
Bursa Malaysia Information	**132**	158
Bursa Malaysia Islamic Services	**376**	346
	4,740	4,718
Lease of computer equipment from:		
Bursa Malaysia Securities	**8,089**	8,965
Bursa Malaysia Derivatives	**722**	909
Bursa Malaysia Securities Clearing	**390**	1,029
Bursa Malaysia Derivatives Clearing	**125**	146
Bursa Malaysia Depository	**579**	815
Bursa Malaysia Information	**126**	138
Bursa Malaysia Islamic Services	**1,330**	1,054
	11,361	13,056
Dividend income from:		
Bursa Malaysia Securities	**110,000**	84,000
Bursa Malaysia Derivatives	**20,399**	39,173
Bursa Malaysia Securities Clearing	**50,000**	46,000
Bursa Malaysia Depository	**49,000**	52,000
Bursa Malaysia Information	**18,000**	15,500
Bursa Malaysia Islamic Services	**5,000**	-
	252,399	236,673

NOTES TO THE FINANCIAL STATEMENTS
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36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(a) Transactions with subsidiaries (cont'd.)

Management fees charged to subsidiaries are in respect of operational and administrative functions of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 23.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Transactions with other related parties

Government-linked and other entities are related to the Company by virtue of the substantial shareholding of Kumpulan Wang Persaraan (Diperbadankan) in the Company. The transactions entered into with these entities have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) Compensation of key management personnel

Key management personnel refers to the management committee of the Group and of the Company. The remuneration of key management personnel during the current and previous financial years are as follows:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Short-term employee benefits	**11,091**	11,282
Contributions to defined contribution plan - EPF	**1,475**	1,231
SGP	**1,079**	2,762
	13,645	15,275

Included in total remuneration of key management personnel are:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Executive Director's remuneration (Note 9)	**3,933**	5,883
Benefits-in-kind (Note 9)	**35**	35
	3,968	5,918

NOTES TO THE FINANCIAL STATEMENTS
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36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(c) Compensation of key management personnel (cont'd.)

The Executive Director of the Group and of the Company and other key management personnel have been granted the following number of shares under the SGP:

	Group and Company	
	2018 '000	2017 '000
At 1 January	**766**	992
Bonus issue	**342**	-
Granted during the year	**345**	531
Forfeited during the year	**(495)**	(384)
Vested during the year	**(128)**	(373)
At 31 December	**830**	766

The remuneration of each key senior management personnel during the current and previous financial years was as follows:

	Salary RM'000	Bonus RM'000	Defined contribution plan - EPF RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
2018						
Datuk Seri Tajuddin bin Atan	**1,440**	**1,440**	**418**	**635**	**35**	**3,968**
Selvarany Rasiah	**886**	**379**	**212**	**431**	**-**	**1,908**
Datin Azalina binti Adham	**634**	**158**	**142**	**464**	**-**	**1,398**
Yew Yee Tee	**540**	**135**	**130**	**394**	**-**	**1,199**
Rosidah binti Baharom	**479**	**120**	**111**	**401**	**-**	**1,111**
Jamaluddin bin Nor Mohamad	**564**	**242**	**140**	**292**	**-**	**1,238**
Mahdzir bin Othman	**540**	**45**	**113**	**214**	**-**	**912**
2017						
Datuk Seri Tajuddin bin Atan	1,440	1,440	418	2,585	35	5,918
Selvarany Rasiah	794	379	195	351	-	1,719
Datin Azalina binti Adham	587	198	136	304	-	1,225
Yew Yee Tee	411	135	101	219	-	866
Rosidah binti Baharom	428	120	102	231	-	881
Jamaluddin bin Nor Mohamad	532	242	135	272	-	1,181
Mahdzir bin Othman*	207	-	41	128	-	376

* Appointed on 14 August 2017.

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37. CONTINGENT LIABILITY

In connection with the partial disposal of Bursa Malaysia Derivatives on 30 November 2009, the Company had entered into put and call options with the Chicago Mercantile Exchange (CME) Group over the ordinary shares of Bursa Malaysia Derivatives representing the 25% equity interest disposed to the CME Group. The exercise price for the put and call options shall be determined based on a pre-agreed formula which takes into consideration the performance of Bursa Malaysia Derivatives and other peer exchanges.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to market risk (which comprises equity price risk, interest rate risk and foreign currency risk), liquidity risk and credit risk arising from their business activities.

The Group and the Company ensure that the above risks are managed in order to minimise the effects of the unpredictability of the financial markets on the performance of the Group and of the Company. There has been no change in the nature of the risks which the Group and the Company are exposed to, nor the objectives, policies and processes to manage those risks compared to the previous year.

(a) Market risk: Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices. The Group and the Company are exposed to equity price risk through the Company's holding of shares in the CME Group. The shares were obtained as part of the purchase consideration in the strategic alliance forged with the CME Group.

The Group and the Company monitor the value of the equity holding by considering the movements of the quoted price, the potential future value to the Group and the sell down restrictions surrounding the equity holding.

An increase/decrease of 1% (2017: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of RM2,980,000 (2017: RM2,268,000).

(b) Market risk: Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's deposits with licensed financial institutions and commercial paper are carried at a fixed rate and therefore is not affected by the movements in market interest rates.

The Group is exposed to interest rate risk through the holding of unquoted bonds.

Interest rate risk sensitivity

The following table demonstrates the sensitivity of the Group's equity to a 25 basis points (2017: 25 basis points) increase/decrease in interest rates with all other variables held constant:

	Group	
	2018 RM'000	**2017 RM'000**
Effects on equity if:		
- increase by 25 basis points	**(250)**	(360)
- decrease by 25 basis points	**250**	360

The sensitivity is the effect of the assumed changes in interest rates on changes in fair value of investment securities for the year, based on revaluing fixed rate financial assets at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk: Interest rate risk (cont'd.)

Interest rate exposure

The following table analyses the Group's and the Company's interest rate exposure. The unquoted bonds, commercial paper and deposits with licensed financial institutions are categorised by maturity dates.

Group	Maturity Less than one year RM'000	Maturity One to five years RM'000	Total RM'000	Effective interest rate %
At 31 December 2018				
Investment securities:				
- unquoted bonds	**30,012**	**40,147**	**70,159**	**4.46**
- commercial paper	**4,923**	**-**	**4,923**	**4.30**
Deposits with licensed financial institutions:				
- cash set aside by the Group for Clearing Funds	**90,000**	**-**	**90,000**	**3.89**
- cash and bank balances	**219,107**	**-**	**219,107**	**3.75**
At 31 December 2017				
Investment securities:				
- unquoted bonds	25,039	54,973	80,012	4.46
Deposits with licensed financial institutions:				
- cash set aside by the Group for Clearing Funds	90,000	-	90,000	3.87
- cash and bank balances	266,908	-	266,908	3.80

Company	Maturity less than one year RM'000	Effective interest rate %
At 31 December 2018		
Investment securities:		
- commercial paper	**4,923**	**4.30**
Deposits with licensed financial institutions:		
- cash and bank balances	**43,237**	**3.79**
At 31 December 2017		
Deposits with licensed financial institutions:		
- cash and bank balances	87,685	3.83

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk: Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates such as that in United States Dollar (USD), Sterling Pound (GBP), Singapore Dollar (SGD), Japanese Yen (JPY) and Euro (EUR). The Group and the Company are exposed to foreign currency risk primarily through the holding of CME Group shares which are denominated in USD, and transactions in USD.

The Group and the Company do not hedge their currency exposures. The following table shows the accumulated amount of material financial assets and liabilities which are unhedged:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets - denominated in USD				
Investment securities:				
- shares quoted outside Malaysia	**297,993**	226,806	**297,993**	226,806
Trade receivables	**1,801**	1,265	**-**	-
	299,794	228,071	**297,993**	226,806
Financial liabilities				
Other payables:				
- denominated in USD	**4,380**	5,047	**-**	175
- denominated in GBP	**352**	168	**352**	168

The Group is not exposed to foreign currency risk from the holding of margins and collaterals as the risks are borne by the participants. The following table depicts this through the netting off of monies held as margins and collaterals against the corresponding liabilities.

Group	USD RM'000	SGD RM'000	JPY RM'000	EUR RM'000	Total RM'000
At 31 December 2018					
Financial assets					
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	**312,753**	**218**	**2,254**	**18,328**	**333,553**
Financial liabilities					
Trade payables	**(312,753)**	**(218)**	**(2,254)**	**(18,328)**	**(333,553)**
	-	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk: Foreign currency risk (cont'd.)

Group	USD RM'000	SGD RM'000	JPY RM'000	EUR RM'000	Total RM'000
At 31 December 2017					
Financial assets					
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	336,486	218	3,956	26,870	367,530
Financial liabilities					
Trade payables	(336,486)	(218)	(3,956)	(26,870)	(367,530)
	-	-	-	-	-

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax and equity to a reasonable possible change in the exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
At 31 December 2018				
USD - strengthens by 5% against RM	**(98)**	**14,802**	**-**	**14,900**
GBP - strengthens by 5% against RM	**(13)**	**(13)**	**(13)**	**(13)**
At 31 December 2017				
USD - strengthens by 5% against RM	(144)	11,196	(7)	11,333
GBP - strengthens by 5% against RM	(6)	(6)	(6)	(6)

An equivalent weakening of the foreign currencies as shown above would have resulted in an equivalent, but opposite, impact.

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting their financial obligations due to a shortage of funds.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Liquidity risk (cont'd.)

(i) Liabilities related risk

The Group and the Company maintain sufficient levels of cash and cash equivalents to meet working capital requirements. The Group and the Company also maintain a reasonable level of banking facilities for contingency requirements.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

	Maturity				
	On demand RM'000	Less than one year RM'000	One year to five years RM'000	Five years and above RM'00	Total RM'000
Group					
At 31 December 2018					
Other payables which are financial liabilities*	**18,066**	**7,642**	**-**	**-**	**25,708**
Lease liabilities	**-**	**505**	**2,189**	**37,025**	**39,719**
	18,066	**8,147**	**2,189**	**37,025**	**65,427**
At 31 December 2017					
Other payables which are financial liabilities*	17,971	15,624	-	-	33,595
Lease liabilities	-	505	2,189	37,563	40,257
	17,971	16,129	2,189	37,563	73,852
Company					
At 31 December 2018					
Other payables which are financial liabilities*	**3,344**	**3,114**	**-**	**-**	**6,458**
Lease liabilities	**-**	**505**	**2,189**	**37,025**	**39,719**
	3,344	**3,619**	**2,189**	**37,025**	**46,177**
At 31 December 2017					
Other payables which are financial liabilities*	2,345	8,673	-	-	11,018
Lease liabilities	-	505	2,189	37,563	40,257
	2,345	9,178	2,189	37,563	51,275

* Other payables which are financial liabilities include amount due to the Securities Commission and sundry payables as disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Liquidity risk (cont'd.)

(ii) Clearing and settlement related risk

The clearing house subsidiaries of the Group act as a counterparty to eligible trades concluded on the securities and derivatives markets through the novation of obligations of the buyers and sellers. The Group mitigates this exposure by establishing financial criteria for admission as participants, monitoring participants' position limits and requiring that margins and collaterals on outstanding positions be placed with the clearing houses. CGF and DCF, as disclosed in Note 25, were set up to further mitigate this risk.

The liabilities and corresponding assets in relation to clearing and settlement risk as at the financial year end are shown below:

		Group On demand	
	Note	2018 RM'000	2017 RM'000
Current assets			
Cash for equity margins, derivatives trading margins and security deposits	24	**1,375,955**	1,166,024
Cash and bank balances of Clearing Funds:			
- participants' contribution	25	**39,806**	39,628
Current liabilities			
Trade payables	24(a)	**(1,375,955)**	(1,166,024)
Participants' contribution to Clearing Funds	25	**(39,806)**	(39,628)
		-	-

(e) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk primarily from their investment securities, staff loans receivable, trade receivables, other receivables which are financial assets, and cash and bank balances.

As at the current and previous financial year end, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statements of financial position.

For investment securities and cash and bank balances, the Group and the Company minimise credit risk by adopting an investment policy which allows dealing with counterparties with good credit ratings only. The Group and the Company closely monitor the credit worthiness of their counterparties by reviewing their credit ratings and credit profiles on a regular basis. Receivables are monitored to ensure that exposure to bad debts is minimised.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Investment securities and cash and bank balances

The counterparty risk rating of the Group's and of the Company's investment securities and cash and bank balances rated by credit rating agencies at the financial year end are as follows:

	Government Guaranteed RM'000	Counterparty risk rating P1 RM'000	AAA RM'000	AA RM'000	A RM'000	Total RM'000
Group						
At 31 December 2018						
Investment securities:						
- unquoted bonds	**15,063**	**-**	**14,969**	**40,127**	**-**	**70,159**
- commercial paper	**-**	**4,923**	**-**	**-**	**-**	**4,923**
Cash and bank balances*	**-**	**-**	**1,051,545**	**613,820**	**63,221**	**1,728,586**
At 31 December 2017						
Investment securities:						
- unquoted bonds	9,977	-	9,957	60,078	-	80,012
Cash and bank balances*	-	-	875,884	624,660	68,817	1,569,361
Company						
At 31 December 2018						
Investment securities:						
- commercial paper	**-**	**4,923**	**-**	**-**	**-**	**4,923**
Cash and bank balances	**-**	**-**	**12,013**	**32,395**	**-**	**44,408**
At 31 December 2017						
Cash and bank balances	-	-	16,140	70,116	1,810	88,066

* Cash and bank balances include cash for equity margins, derivatives trading margins, security deposits and eDividend distributions, cash and bank balances of Clearing Funds, and the Group's cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Investment securities and cash and bank balances (cont'd.)

The Group's and the Company's investment securities are rated as investment grade and the allowance for impairment loss is measured on the basis of 12-months expected credit losses (ECL). There is no significant increase in credit risk for investment securities since initial recognition as at the financial year end. The movement of the allowance for impairment loss on investment securities is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At 1 January	**254**	461	**-**	-
(Reversal of impairment loss)/impairment loss for the year, net (Note 7)	**(104)**	(207)	**23**	-
At 31 December	**150**	254	**23**	-

Receivables

The ageing analysis of the Group's and of the Company's gross receivables (before deducting allowance for impairment loss) are as follows:

				Not credit impaired						
					Past due					
Group	**Note**	**Total RM'000**	**Credit impaired RM'000**	**Not past due RM'000**	**< 30 days RM'000**	**31-60 days RM'000**	**61-90 days RM'000**	**91-180 days RM'000**	**>181 days RM'000**	**Total RM'000**
At 31 December 2018										
Staff loans receivable	19	**2,747**	**-**	**2,747**	**-**	**-**	**-**	**-**	**-**	**-**
Trade receivables	21	**40,345**	**1,141**	**33,103**	**2,779**	**2,032**	**279**	**413**	**598**	**6,101**
Other receivables which are financial assets*	22	**14,173**	**5,751**	**8,422**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2017										
Staff loans receivable	19	3,453	-	3,453	-	-	-	-	-	-
Trade receivables	21	48,398	584	39,398	3,293	1,904	505	1,181	1,533	8,416
Other receivables which are financial assets*	22	17,332	5,888	11,444	-	-	-	-	-	-

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

The ageing analysis of the Group's and of the Company's gross receivables (before deducting allowance for impairment loss) are as follows: (cont'd.)

				Not credit impaired						
					Past due					
Company	Note	Total RM'000	Credit impaired RM'000	Not past due RM'000	< 30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	>181 days RM'000	Total RM'000
At 31 December 2018										
Staff loans receivable	19	**2,360**	**-**	**2,360**	**-**	**-**	**-**	**-**	**-**	**-**
Trade receivables	21	**2,028**	**192**	**632**	**670**	**98**	**101**	**64**	**271**	**1,204**
Other receivables which are financial assets*	22	**6,666**	**2,321**	**4,345**	**-**	**-**	**-**	**-**	**-**	**-**
Amount due from subsidiaries	23	**24,213**	**11,882**	**12,331**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2017										
Staff loans receivable	19	3,018	-	3,018	-	-	-	-	-	-
Trade receivables	21	1,925	115	146	841	172	98	277	276	1,664
Other receivables which are financial assets*	22	9,365	2,366	6,999	-	-	-	-	-	-
Amount due from subsidiaries	23	32,084	11,875	20,209	-	-	-	-	-	-

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables.

Receivables that are neither past due nor credit impaired are creditworthy debtors with good payment records with the Group and with the Company. The Group's and the Company's trade receivables credit term ranges from 7 days to 30 days, except for trade receivables relating to fees due from clearing participants for clearing and settlement services where payment is due three market days from the month end.

None of the Group's and the Company's receivables that are neither past due nor credit impaired have been renegotiated during the current and previous financial years.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single clearing participant or counterparty.

Receivables are not secured by any collaterals or credit enhancements other than as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Impairment on receivables

The Group and the Company apply the simplified approach whereby allowance for impairment are measured at lifetime ECL. The movement of the allowance for impairment loss on receivables is as follows:

Group	Trade receivables			Other receivables		
	Lifetime ECL allowance RM'000	Credit impaired (Note a) RM'000	Total allowance RM'000	Lifetime ECL allowance RM'000	Credit impaired (Note a) RM'000	Total allowance RM'000
At 1 January 2018	**596**	**584**	**1,180**	**4**	**5,888**	**5,892**
Charge/(Reversal) for the year **(Note b)**	**8**	**557**	**565**	**1**	**(137)**	**(136)**
At 31 December 2018	**604**	**1,141**	**1,745**	**5**	**5,751**	**5,756**
At 1 January 2017	555	396	951	28	5,917	5,945
Charge/(Reversal) for the year **(Note b)**	41	266	307	(24)	1,299	1,275
Write-offs	-	(78)	(78)	-	(1,328)	(1,328)
At 31 December 2017	596	584	1,180	4	5,888	5,892

(a) Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

(b) The Group's allowance for impairment loss on trade and other receivables during the current financial year increased by RM429,000 mainly due to the provision for higher impaired trade receivables. In the previous financial year, the Group's allowance for impairment loss on trade and other receivables increased by RM1,582,000 mainly due to the provision for higher impaired other receivables.

Company	Trade receivables			Other receivables			Amount due from subsidiary
	Lifetime ECL allowance RM'000	Credit impaired (Note a) RM'000	Total allowance RM'000	Lifetime ECL allowance RM'000	Credit impaired (Note a) RM'000	Total allowance RM'000	Credit impaired (Note a) RM'000
At January 2018	**22**	**115**	**137**	**4**	**2,366**	**2,370**	**11,875**
Charge/(Reversal) for the year **(Note b)**	**6**	**77**	**83**	**1**	**(45)**	**(44)**	**7**
At 31 December 2018	**28**	**192**	**220**	**5**	**2,321**	**2,326**	**11,882**
At January 2017	51	115	166	28	2,366	2,394	11,863
Charge/(Reversal) for the year **(Note b)**	(29)	-	(29)	(24)	1,328	1,304	12
Write-offs	-	-	-	-	(1,328)	(1,328)	-
At 31 December 2017	22	115	137	4	2,366	2,370	11,875

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Impairment on receivables (cont'd.)

(a) Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

(b) The Company's allowance for impairment loss on trade and other receivables during the current financial year increased by RM39,000 mainly due to the provision for higher impaired trade receivables. In the previous financial year, the Company's allowance for impairment loss on trade and other receivables increased by RM1,275,000 mainly due to the provision for higher impaired other receivables.

39. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's and the Company's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.4 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities of the Group and of the Company in the statements of financial position by the classes and categories of financial instruments to which they are assigned by their measurement basis.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Assets				
Financial assets at FVTOCI				
Investment securities:				
- quoted shares (outside Malaysia)	**297,993**	226,806	**297,993**	226,806
- unquoted bonds	**70,159**	80,012	**-**	-
	368,152	306,818	**297,993**	226,806
Financial assets at amortised cost				
Investment securities:				
- commercial paper	**4,923**	-	**4,923**	-
Staff loans receivable	**2,747**	3,453	**2,360**	3,018
Trade receivables	**38,600**	47,218	**1,808**	1,788
Other receivables which are financial assets*	**8,417**	11,440	**4,340**	6,995
Amount due from subsidiaries	**-**	-	**12,331**	20,209
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	**1,375,995**	1,168,526	**-**	-
Cash and bank balances of Clearing Funds	**129,806**	129,628	**-**	-
Cash and bank balances	**222,785**	271,207	**44,408**	88,066
	1,783,273	1,631,472	**70,170**	120,076
Total financial assets	**2,151,425**	1,938,290	**368,163**	346,882

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

39. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Liabilities				
Financial liabilities at amortised cost				
Trade payables	**1,375,955**	1,166,024	**-**	-
Participants' contribution to Clearing Funds	**39,806**	39,628	**-**	-
Other payables which are financial liabilities**	**25,708**	33,595	**6,458**	11,018
Lease liabilities	**7,971**	7,975	**7,971**	7,975
Total financial liabilities	**1,449,440**	1,247,222	**14,429**	18,993

* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment loss, as disclosed in Note 22.

** Other payables which are financial liabilities include amount due to the Securities Commission and sundry payables as disclosed in Note 32.

40. FAIR VALUE

(a) Financial instruments that are carried at fair value

Investment securities are measured at fair value at different measurement hierarchies (i.e. Levels 1, 2 and 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair values.

(i) Level 1: Quoted prices (unadjusted) of identical assets in active markets

Shares quoted outside Malaysia are measured at Level 1. The fair value of quoted shares is determined directly by reference to its published market bid price as at the financial year end.

(ii) Level 2: Inputs other than at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Unquoted bonds are measured at Level 2. The fair value of unquoted bonds is determined by reference to the published market bid price of unquoted fixed income securities based on information provided by Bond Pricing Agency Malaysia Sdn Bhd.

(iii) Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs)

The Group and the Company do not have any financial instruments measured at Level 3 in the current and previous financial years.

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 31 December 2018			
Investment securities:			
- quoted shares (outside Malaysia)	**297,993**	**-**	**297,993**
- unquoted bonds	**-**	**70,159**	**70,159**
	297,993	**70,159**	**368,152**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

40. FAIR VALUE (CONT'D.)

(a) Financial instruments that are carried at fair value (cont'd.)

(iii) Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs) (cont'd.)

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 31 December 2017			
Investment securities:			
- quoted shares (outside Malaysia)	226,806	-	226,806
- unquoted bonds	-	80,012	80,012
	226,806	80,012	306,818

Company	Level 1 RM'000
At 31 December 2018	
Investment securities:	
- quoted shares (outside Malaysia)	**297,993**
At 31 December 2017	
Investment securities:	
- quoted shares (outside Malaysia)	226,806

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

The Group and the Company do not have any financial liabilities carried at fair value as at 31 December 2018 and 31 December 2017.

(b) Financial instruments that are not carried at fair value

The carrying amount of the financial instruments carried at amortised cost, other than staff loans receivable, are reasonable approximation of their fair values due to their short-term nature.

	Note
Investment securities - commercial paper	18
Trade receivables	21
Other receivables which are financial assets (except staff loans receivable within 12 months)	22
Amount due from subsidiaries	23
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	24
Cash and bank balances of Clearing Funds	25
Cash and bank balances of the Group/Company	26
Trade payables	24(a)
Participants' contribution to Clearing Funds	25
Other payables which are financial liabilities	32

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

40. FAIR VALUE (CONT'D.)

(b) Financial instruments that are not carried at fair value (cont'd.)

The carrying amount of staff loans receivable approximates its fair value, and is estimated by discounting the expected future cash flows using the current interest rates for loans with similar risk profiles. The staff loans receivable is measured at Level 3 under the measurement hierarchy.

	Group		Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
At 31 December 2018				
Staff loans receivable (Note 19)	**2,747**	**2,646**	**2,360**	**2,275**
At 31 December 2017				
Staff loans receivable (Note 19)	3,453	3,353	3,018	2,930

41. CAPITAL MANAGEMENT

The Group manages its capital with the objective of maximising shareholders' returns. To achieve this, the Group takes into consideration and ensures the sufficiency of funds for operations, risk management and development. Although the Group's policy is to distribute at least 75% of its profits to shareholders, it has been able thus far to distribute at least 90% of its profits every year whilst ensuring that its pool of funds for future development is at a sufficient level.

The Group is not subject to any externally imposed capital requirements. However, the Group is required to set aside funds for the CGF and DCF in accordance with the business rules of its clearing house subsidiaries.

Total capital managed at Group level, which comprises shareholders' funds and deferred capital grants, stood at RM877,963,000 (2017: RM852,026,000) as at the end of the financial year.

There has been no change in the above capital management objectives, policies and processes compared to the previous year.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The proposed bonus issue announced by the Company on 27 November 2017 was approved by the shareholders at the Extraordinary General Meeting held on 28 March 2018. Subsequently, the number of ordinary shares of the Company on 13 April 2018 was increased from 537,501,000 to 806,251,000 by way of a bonus issue of 268,750,000 new ordinary shares, credited as fully paid-up share capital on the basis of one new ordinary share for every two existing ordinary shares through capitalisation of the share premium and retained earnings of the Company of RM119,052,000 and RM15,323,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

43. SEGMENT INFORMATION

(a) Reporting format

For management reporting purposes, the Group is organised into operating segments based on market segments as the Group's risks and rates of return are affected predominantly by the macro environment of the different markets.

The securities, derivatives and others market segments are managed by the respective segment divisional heads responsible for the performance of the respective segments under their charge.

(b) Market segments

The four major market segments of the Group are as follows:

(i) The securities market mainly comprises the provision and operation of the listing, trading, clearing, depository services and provision and dissemination of information relating to equity securities quoted on the securities exchange.

(ii) The derivatives market mainly comprises the provision and operation of the trading, clearing, depository services and provision and dissemination of information relating to derivative products quoted on the derivatives exchange.

(iii) The exchange holding business refers to the operation of the Company which functions as an investment holding company.

(iv) Others mainly comprise the provision of a Shariah compliant commodity trading platform, a reporting platform for bond traders and the provision of an exchange for the offshore market.

(c) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, overheads and income tax expenses.

The Group monitors the operating results of its market segments separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between the market segments are set on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

43. SEGMENT INFORMATION (CONT'D.)

Market segments

Group	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
At 31 December 2018					
Operating revenue	409,465	90,769	7,652	15,405	523,291
Other income	13,927	1,845	10,694	247	26,713
Direct costs	(87,623)	(46,813)	(30,740)	(6,843)	(172,019)
Segment profit/(loss)	335,769	45,801	(12,394)	8,809	377,985
Overheads					(69,810)
Profit before tax					308,175
Segment assets					
Assets	370,088	93,534	428,587	26,134	918,343
Clearing Funds	103,768	26,038	-	-	129,806
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	125,425	1,250,570	-	-	1,375,995
Segment assets	599,281	1,370,142	428,587	26,134	2,424,144
Unallocated corporate assets					10,416
Total assets					2,434,560
Segment liabilities					
Liabilities	33,168	12,749	64,775	15,624	126,316
Participants' contribution to Clearing Funds	18,768	21,038	-	-	39,806
Equity margins, derivatives trading margins, security deposits and eDividend distributions	125,425	1,250,570	-	-	1,375,995
Segment liabilities	177,361	1,284,357	64,775	15,624	1,542,117
Unallocated corporate liabilities					4,994
Total liabilities					1,547,111

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

43. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

Group	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
At 31 December 2018					
Other information					
Depreciation and amortisation in:					
- segments	**6,388**	**1,837**	**835**	**1,392**	**10,452**
- overheads	**-**	**-**	**-**	**-**	**11,518**
Other significant non-cash expenses:					
Net (reversal of impairment loss)/impairment loss on:					
- investment securities	**(129)**	**-**	**25**	**-**	**(104)**
- trade and other receivables	**357**	**20**	**39**	**13**	**429**
Retirement benefit obligations	**-**	**-**	**-**	**-**	**989**
SGP expense in:					
- segments	**3,373**	**848**	**559**	**126**	**4,906**
- overheads	**-**	**-**	**-**	**-**	**1,858**
At 31 December 2017					
Operating revenue	403,317	94,861	7,529	16,373	522,080
Other income	13,489	1,998	19,113	152	34,752
Direct costs	(90,200)	(48,544)	(35,918)	(6,363)	(181,025)
Segment profit/(loss)	326,606	48,315	(9,276)	10,162	375,807
Overheads					(69,924)
Profit before tax					305,883
Segment assets					
Assets	395,584	98,654	393,025	28,365	915,628
Clearing Funds	102,577	27,051	-	-	129,628
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	117,846	1,050,680	-	-	1,168,526
Segment assets	616,007	1,176,385	393,025	28,365	2,213,782
Unallocated corporate assets					11,099
Total assets					2,224,881

NOTES TO THE FINANCIAL STATEMENTS
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43. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

Group	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
At 31 December 2017					
Segment liabilities					
Liabilities	38,892	12,712	79,067	14,689	145,360
Participants' contribution to Clearing Funds	17,577	22,051	-	-	39,628
Equity margins, derivatives trading margins, security deposits and eDividend distributions	117,846	1,050,680	-	-	1,168,526
Segment liabilities	174,315	1,085,443	79,067	14,689	1,353,514
Unallocated corporate liabilities					8,910
Total liabilities					1,362,424
Other information					
Depreciation and amortisation in:					
- segments	7,929	1,855	1,784	824	12,392
- overheads	-	-	-	-	11,408
Other significant non-cash expenses:					
Net (reversal of impairment loss)/impairment loss on:					
- investment securities	(207)	-	-	-	(207)
- trade and other receivables	336	(23)	1,275	(6)	1,582
Retirement benefit obligations	-	-	-	-	1,174
SGP expense in:					
- segments	2,781	881	2,688	77	6,427
- overheads	-	-	-	-	1,803

www.**bursamalaysia**.com

Bursa Malaysia Berhad (30632-P)

15th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur, Malaysia.
T: +603 2034 7000 F: +603 2732 6437
E: enquiries@bursamalaysia.com